

**TOWN OF FORT MILL  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**



# TOWN OF FORT MILL, SOUTH CAROLINA

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**TOWN OF FORT MILL, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**YEAR ENDED SEPTEMBER 30, 2016**

Established

1873

**MAYOR**

Guyann H. Savage

**TOWN COUNCIL MEMBERS**

Ward 1 – James T. Shirey

Ward 2 – Ronald S. Helms

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

Ward 4 – David C. Moody

At Large – Etrulia B. Heemsoth

At Large – Lisa E. McCarley

**TOWN MANAGER**

Dennis P. Pieper

**FINANCE DIRECTOR**

Chantay F. Bouler





**Greene, Finney & Horton, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## ***Other Matters***

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

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

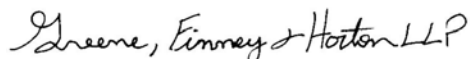
### ***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
March 15, 2017



## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED SEPTEMBER 30, 2016

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As management of the Town of Fort Mill ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended September 30, 2016 ("FY 2016" or "2016") compared to the year ended September 30, 2015 ("FY 2015" or "2015"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here but also the information provided in the financial statements and the notes to the financial statements to enhance their understanding of the Town's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by approximately \$44,941,000. Of this amount, approximately \$17,487,000 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by approximately \$11,919,000 (an increase of approximately \$4,967,000 from governmental activities and an increase of approximately \$6,952,000 from business-type activities), as total revenues of approximately \$30,271,000 exceeded total expenses of approximately \$18,352,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$17,854,000, an increase of approximately \$5,773,000 from the prior year. Of this total amount, 41%, or approximately \$7,293,000, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$7,293,000, or 62% of total General Fund expenditures for 2016.
- The Town's total capital assets increased by approximately \$2,934,000 (10%) during the current fiscal year, which was largely due to capital asset additions of approximately \$4,637,000 exceeding net disposals of approximately \$13,000 and depreciation expense of approximately \$1,690,000.
- The Town's long-term obligations decreased by approximately \$557,000 (3%) during the current fiscal year, due to principal payments and amortization of debt premium of approximately \$1,081,000, partially offset by the issuance of a lease purchase for \$512,000 and an increase in the compensated absences liability of approximately \$12,000.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Financial Statements

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

##### Government-Wide Financial Statements

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

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

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2016

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

##### Government-Wide Financial Statements (Continued)

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

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

##### Fund Financial Statements

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

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

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

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

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

**Fund Financial Statements (Continued)**

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

Figure A-1 - Major Features of the Town's Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> <li>Statement of Net Position.</li> <li>Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet.</li> <li>Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Net Position.</li> <li>Statement of Revenues, Expenses, and Changes in Net Positions.</li> <li>Statement of Cash Flows.</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term liabilities included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

# TOWN OF FORT MILL, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position as of September 30, 2016 and 2015:

Town's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 18,783,954	12,934,652	26,566,549	22,658,086	45,350,503	\$ 35,592,738
Capital Assets	10,481,271	10,435,749	22,461,451	19,573,339	32,942,722	30,009,088
Total Assets	29,265,225	23,370,401	49,028,000	42,231,425	78,293,225	65,601,826
Deferred Outflows of Resources	2,107,444	707,280	343,345	135,672	2,450,789	842,952
Liabilities						
Long-Term Liabilities	2,615,279	2,253,213	18,514,443	19,438,789	21,129,722	21,692,002
Net Pension Liability	10,343,033	8,450,141	2,170,201	1,720,850	12,513,234	10,170,991
Other Liabilities	814,775	739,888	1,337,869	809,529	2,152,644	1,549,417
Total Liabilities	13,773,087	11,443,242	22,022,513	21,969,168	35,795,600	33,412,410
Deferred Inflows of Resources	5,018	7,274	2,356	3,078	7,374	10,352
Net Position						
Net Investment in Capital Assets	8,393,332	8,408,156	14,979,488	12,238,174	23,372,820	20,646,330
Restricted	3,135,092	1,065,645	945,967	1,514,791	4,081,059	2,580,436
Unrestricted	6,066,140	3,153,364	11,421,021	6,641,886	17,487,161	9,795,250
Total Net Position	\$ 17,594,564	12,627,165	27,346,476	20,394,851	44,941,040	\$ 33,022,016

The Town's total assets increased by approximately \$12,691,000, or 19%, over the prior year. This increase was primarily due to an increase in cash and cash equivalents of approximately \$9,482,000 and an increase in capital assets of approximately \$2,934,000. Total liabilities at September 30, 2016 increased by approximately \$2,383,000 from the prior year; this is primarily due to an increase in the net pension liability of approximately \$2,342,000. The changes in deferred outflows and inflows was primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the Town's share of the net pension liability in the State retirement plans.

The government's net position increased by approximately \$11,919,000 during the current fiscal year as a result of current year revenues exceeding current year expenses. Please see discussion following the next table regarding this increase.

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$44,941,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$23,373,000 or 52%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including capital leases and lease purchases) used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt (including capital leases and lease purchases) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$4,081,000 or 9%) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related costs, future debt service payments, and capital projects (impact fees). The remaining balance is unrestricted net position of approximately \$17,487,000 which may be used to meet the government's ongoing obligations to citizens and creditors.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

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

The following table shows the changes in net position for 2016 compared to 2015.

Town's Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 9,100,402	7,205,448	10,757,611	9,411,947	19,858,013	\$ 16,617,395
Operating Grants and Contributions	287,589	323,604	-	-	287,589	323,604
Capital Grants and Contributions	6,878	348,902	2,665,467	238,989	2,672,345	587,891
General Revenues:						
Property Taxes	5,983,088	5,209,066	-	-	5,983,088	5,209,066
Hospitality & Accommodations Taxes	465,879	408,439	-	-	465,879	408,439
Intergovernmental Revenue	493,862	325,528	-	-	493,862	325,528
Other Revenue	468,298	362,016	41,810	58,563	510,108	420,579
Total Revenues	16,805,996	14,183,003	13,464,888	9,709,499	30,270,884	23,892,502
Expenses:						
General Government	2,344,973	2,082,241	-	-	2,344,973	2,082,241
Judicial	120,475	111,202	-	-	120,475	111,202
Public Works	2,653,229	2,182,497	-	-	2,653,229	2,182,497
Public Safety	6,103,750	4,862,742	-	-	6,103,750	4,862,742
Culture and Recreation	1,110,176	1,192,840	-	-	1,110,176	1,192,840
Interest and Fiscal Charges	58,214	62,346	-	-	58,214	62,346
Water/Sewer	-	-	5,643,634	5,338,863	5,643,634	5,338,863
Stormwater	-	-	317,409	184,651	317,409	184,651
Total Expenses	12,390,817	10,493,868	5,961,043	5,523,514	18,351,860	16,017,382
Change in Net Position Before Transfers	4,415,179	3,689,135	7,503,845	4,185,985	11,919,024	7,875,120
Transfers In (Out)	552,220	526,381	(552,220)	(526,381)	-	-
Change in Net Position	4,967,399	4,215,516	6,951,625	3,659,604	11,919,024	7,875,120
Net Position, Beginning of Year	12,627,165	8,411,649	20,394,851	16,735,247	33,022,016	25,146,896
Net Position, End of Year	\$ 17,594,564	12,627,165	27,346,476	20,394,851	44,941,040	\$ 33,022,016

**Governmental Activities:** Revenues exceeded expenses and transfers in by approximately \$4,967,000 for 2016 for its governmental activities. Revenues and transfers in increased over the prior year by approximately \$2,649,000 (18%) to approximately \$17,358,000, due primarily to an increase in charges for services of approximately \$1,895,000 (26%) and an increase in property tax revenue of approximately \$774,000 (15%). Expenses increased by approximately \$1,897,000 (18%) from the prior year to approximately \$12,391,000.

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2016

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

**Business-Type Activities:** Revenues exceeded expenses and transfers out by approximately \$6,952,000 for 2016 for the business-type activities. Revenues increased by approximately \$3,755,000 (39%) from the prior year to approximately \$13,465,000 primarily due to an increase in charges for services and an increase in capital contributions. Expenses and transfers out increased by approximately \$463,000 (8%) to approximately \$6,513,000.

#### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$17,854,000, an increase of approximately \$5,773,000 from the prior year. Approximately 41% of this total amount (approximately \$7,293,000) constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balance is assigned for capital projects and community development or restricted for either tourism related costs, parks and recreation, narcotics, or capital projects (impact fees and unspent lease proceeds).

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 \$7,713,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. The total unassigned fund balance of the General Fund represents approximately 62% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$454,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$1,924,000 or 15% primarily due to an increase over budget in fines, fees, licenses, and permits of approximately \$1,085,000, tax revenues of approximately \$440,000, and charges for service of approximately \$211,000.
- General Fund expenditures were under budgeted expectations by approximately \$2,358,000 or 17%, primarily due to general government, judicial, public works, public safety, culture and recreation, and capital outlay expenditures coming in under budget.
- The most significant other financing sources (uses) transactions for 2016 consisted of a transfer of \$3,500,000 to the Capital Projects Fund (in accordance with the Town's fund balance policy), a transfer of approximately \$562,000 from the Gross Revenue Fund (to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund), and lease purchase proceeds of \$512,000.

In addition, the fund balances of the remaining Special Revenue and Capital Projects Funds increased by approximately \$5,319,000. Highlights for all of the remaining governmental funds were as follows:

- A transfer from the General Fund of approximately \$3,500,000 to the Capital Projects Fund.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$299,000.
- The Town collected approximately \$1,433,000 in impact fees in 2016, the first year of this revenue stream.

**Proprietary Funds:** The Town's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail. Net position of the Town's Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$26,561,000. Net position of the Town's Stormwater Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$785,000. Factors concerning the operation of these funds have already been addressed in the discussion of the Town's business-type activities.

# TOWN OF FORT MILL, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2016

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### 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 2016.

#### 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, 2016, was approximately \$10,481,000 and \$22,461,000, respectively (net of accumulated depreciation). These capital assets include land, construction in progress, land improvements, infrastructure, buildings and improvements, equipment, and vehicles. The capital assets (net of accumulated depreciation) as of September 30, 2016 and 2015 were as follows:

	Town's Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,920,717	1,920,717	605,505	605,505	2,526,222	\$ 2,526,222
Construction in Progress	-	-	982,055	201,646	982,055	201,646
Land Improvements	103,844	122,063	-	-	103,844	122,063
Infrastructure	1,357,296	1,330,492	19,755,736	17,928,116	21,113,032	19,258,608
Buildings & Improvements	4,155,790	4,297,495	483,464	498,680	4,639,254	4,796,175
Equipment	633,023	454,506	195,394	214,072	828,417	668,578
Vehicles	2,310,601	2,310,476	439,297	125,320	2,749,898	2,435,796
Total	\$ 10,481,271	10,435,749	22,461,451	19,573,339	32,942,722	\$ 30,009,088

Major capital asset events during the current year include:

- Additional construction on water and sewer systems of approximately \$780,000.
- Purchase of vehicles for approximately \$758,000.
- Purchase of equipment and other capital assets for approximately \$434,000.
- Donations of infrastructure from outside developers of approximately \$2,665,000.
- Disposals of approximately \$13,000.
- Depreciation expense of approximately \$1,690,000.

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

**Long-Term Obligations:** As of September 30, 2016, the Town had total bonded debt outstanding of approximately \$18,192,000, of which approximately \$1,166,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$1,935,000 in lease purchases/capital lease outstanding at year end.

	Town's Long-Term Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 1,165,536	1,253,081	-	-	1,165,536	\$ 1,253,081
Revenue Bonds/Refunding Bonds	-	-	17,026,000	17,754,000	17,026,000	17,754,000
Lease Purchases/Capital Lease	1,209,054	774,512	725,748	884,104	1,934,802	1,658,616
Debt Premium	-	-	709,740	739,416	709,740	739,416
Compensated Absences	240,689	225,620	52,955	55,540	293,644	281,160
Total	\$ 2,615,279	2,253,213	18,514,443	19,433,060	21,129,722	\$ 21,686,273

## **TOWN OF FORT MILL, SOUTH CAROLINA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

##### **Long-Term Obligations (Continued)**

The Town's long-term obligations increased by approximately \$557,000 (3%) during the current fiscal year due to principal payments and amortization of debt premium of approximately \$1,081,000 exceeding the issuance of a lease purchase for \$512,000 and an increase in the compensated absence liability of approximately \$12,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at September 30, 2016 was approximately \$5,582,000. The legal debt margin was approximately \$4,416,000.

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

##### **ECONOMIC FACTORS**

Fort Mill is located within the Charlotte Metropolitan Statistical Area ("MSA") in the Southeastern region of the United States. Fort Mill continues to be one of the fastest growing municipalities in the state and region. New development in the Town now exceeds pre-recession levels; over the last three years, the town has permitted more than 1,700 new residential units, annexed more than 200 existing homes, and permitted more than 1.2 million square feet of new commercial development. Town officials expect to see this trend continue over the next reporting period and into the next decade.

The Town's revenues and population will continue to increase. As of 2015, Fort Mill had an estimated 13,662 residents. The Town's population has increased by 80.1% since the 2000 Census, and 26.4% since 2010. The town's population is projected to approach 40,000 residents by the year 2040. This growth rate is significantly higher than the growth rates of the state and nation.

The average education level for Fort Mill residents age 25+ is higher than both the state and national average, with 90.3% of all residents possessing at least a high school diploma, and 35% with a bachelor's degree or higher. The median household income of \$61,773 exceeds the state average by 35.8%. The median value of all owner-occupied homes was \$192,500 in 2015, and is projected to increase over the coming years. New single-family home permits for 2016 increased by 18.5% compared to 2015, while the average value of each new home permit (\$380,388) decreased by 0.8% compared to the previous year. The town permitted 336 apartments in 2016, compared to 0 in 2015.

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

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

Management is forecasting a strong FY 2016-2017 and does not project a downturn based on current and planned investment within the Town. As commercial development continues to follow the expansive residential growth, the Town is expected to develop a larger, and more diverse tax base.

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

The adopted FY 2016-17 General Fund operating budget is approximately \$15,524,000. Rates associated with the Town's solid waste, business license, and building permit fees remained constant.

##### **REQUESTS FOR TOWN INFORMATION**

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



# **BASIC FINANCIAL STATEMENTS**

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 12,989,380	13,015,349	\$ 26,004,729
Cash and Cash Equivalents, Restricted	3,379,594	13,977,151	17,356,745
Receivables, Net:			
Property Taxes	260,899	-	260,899
Accounts	198,931	1,065,779	1,264,710
Other	259,093	64,831	323,924
Internal Balances	1,562,053	(1,562,053)	-
Due From:			
Federal Government	24,995	-	24,995
State Government	78,828	-	78,828
Prepaid Expenses	30,181	5,492	35,673
Capital Assets:			
Non-Depreciable	1,920,717	1,587,560	3,508,277
Depreciable, Net	8,560,554	20,873,891	29,434,445
<b>TOTAL ASSETS</b>	<b>29,265,225</b>	<b>49,028,000</b>	<b>78,293,225</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	<b>2,107,444</b>	<b>343,345</b>	<b>2,450,789</b>
<b>LIABILITIES</b>			
Accounts Payable	356,123	822,821	1,178,944
Accrued Interest Payable	36,222	234,961	271,183
Accrued Salaries and Fringe Benefits	290,286	70,907	361,193
Other Liabilities	9,899	-	9,899
Unearned Revenues	122,245	209,180	331,425
Non-Current Liabilities:			
Net Pension Liability	10,343,033	2,170,201	12,513,234
Long-Term Obligations - Due Within One Year	419,531	952,933	1,372,464
Long-Term Obligations - Due in More Than One Year	2,195,748	17,561,510	19,757,258
<b>TOTAL LIABILITIES</b>	<b>13,773,087</b>	<b>22,022,513</b>	<b>35,795,600</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	<b>5,018</b>	<b>2,356</b>	<b>7,374</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,393,332	14,979,488	23,372,820
Restricted For:			
Debt Service	-	945,967	945,967
Tourism Related Costs	1,476,027	-	1,476,027
Parks and Recreation	150,319	-	150,319
Narcotics	74,717	-	74,717
Capital Projects (Impact Fees)	1,434,029	-	1,434,029
Unrestricted	6,066,140	11,421,021	17,487,161
<b>TOTAL NET POSITION</b>	<b>\$ 17,594,564</b>	<b>27,346,476</b>	<b>\$ 44,941,040</b>

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

## TOWN OF FORT MILL, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental Activities:							
General Government	\$ 2,344,973	6,259,068	-	-	3,914,095		\$ 3,914,095
Judicial	120,475	84,314	-	-	(36,161)		(36,161)
Public Works	2,653,229	1,111,457	2,500	-	(1,539,272)		(1,539,272)
Public Safety	6,103,750	324,179	27,112	-	(5,752,459)		(5,752,459)
Culture and Recreation	1,110,176	1,321,384	257,977	6,878	476,063		476,063
Interest and Fiscal Charges	58,214	-	-	-	(58,214)		(58,214)
<b>Total Governmental Activities</b>	<b>12,390,817</b>	<b>9,100,402</b>	<b>287,589</b>	<b>6,878</b>	<b>(2,995,948)</b>		<b>(2,995,948)</b>
Business-Type Activities:							
Water/Sewer	5,643,634	10,015,918	-	2,665,467		7,037,751	7,037,751
Stormwater	317,409	741,693	-	-		424,284	424,284
<b>Total Business-Type Activities</b>	<b>5,961,043</b>	<b>10,757,611</b>	<b>-</b>	<b>2,665,467</b>		<b>7,462,035</b>	<b>7,462,035</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 18,351,860</b>	<b>19,858,013</b>	<b>287,589</b>	<b>2,672,345</b>	<b>(2,995,948)</b>	<b>7,462,035</b>	<b>4,466,087</b>
General Revenues and Transfers:							
Taxes:							
Property Taxes Levied for General Purposes					5,983,088	-	5,983,088
Hospitality Taxes					465,879	-	465,879
Accommodations Taxes					173,239	-	173,239
Intergovernmental Revenue - Unrestricted					493,862	-	493,862
Investment Income					12,275	24,710	36,985
Miscellaneous					207,693	3,000	210,693
Insurance Proceeds from Casualty					75,091	14,100	89,191
Transfers In (Out)					552,220	(552,220)	-
Total General Revenues and Transfers					7,963,347	(510,410)	7,452,937
<b>CHANGES IN NET POSITIONS</b>					<b>4,967,399</b>	<b>6,951,625</b>	<b>11,919,024</b>
NET POSITIONS, Beginning of Year					12,627,165	20,394,851	33,022,016
<b>NET POSITIONS, End of Year</b>					<b>17,594,564</b>	<b>27,346,476</b>	<b>\$ 44,941,040</b>

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2016**

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,002,869	6,986,511	-	\$ 12,989,380
Cash and Cash Equivalents, Restricted	286,651	1,424,704	1,668,239	3,379,594
Receivables, Net:				
Property Taxes	260,899	-	-	260,899
Garbage	198,931	-	-	198,931
Other	179,186	37,758	42,149	259,093
Due From:				
Other Funds	1,623,176	1,800	-	1,624,976
Federal Government	24,995	-	-	24,995
State Government	78,828	-	-	78,828
Prepaid Expenses	30,181	-	-	30,181
<b>TOTAL ASSETS</b>	<b>\$ 8,685,716</b>	<b>8,450,773</b>	<b>1,710,388</b>	<b>\$ 18,846,877</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 335,606	20,517	-	\$ 356,123
Accrued Salaries and Fringe Benefits	290,286	-	-	290,286
Due to Other Funds	62,923	-	-	62,923
Unearned Revenues	122,245	-	-	122,245
Other Liabilities	9,899	-	-	9,899
<b>TOTAL LIABILITIES</b>	<b>820,959</b>	<b>20,517</b>	<b>-</b>	<b>841,476</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Property Taxes	151,588	-	-	151,588
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>151,588</b>	<b>-</b>	<b>-</b>	<b>151,588</b>
<b>FUND BALANCES</b>				
Nonspendable - Prepaids	30,181	-	-	30,181
Restricted For:				
Tourism Related Costs	-	1,274,385	201,642	1,476,027
Parks and Recreation	-	150,319	-	150,319
Narcotics	-	-	74,717	74,717
Capital Projects (Impact Fees)	-	-	1,434,029	1,434,029
Capital Projects (Unspent Lease Proceeds)	286,651	-	-	286,651
Assigned For:				
Capital Projects	-	7,005,552	-	7,005,552
Community Development	102,938	-	-	102,938
Unassigned	7,293,399	-	-	7,293,399
<b>TOTAL FUND BALANCES</b>	<b>7,713,169</b>	<b>8,430,256</b>	<b>1,710,388</b>	<b>17,853,813</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,685,716</b>	<b>8,450,773</b>	<b>1,710,388</b>	<b>\$ 18,846,877</b>

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**SEPTEMBER 30, 2016**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 17,853,813**

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

Property taxes in the Statement of Net Position will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds. 151,588

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$17,005,818, and the accumulated depreciation was \$6,524,547. 10,481,271

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. (36,222)

The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State Retirement Plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (8,240,607)

Long-term liabilities, including debt premiums, are not due or payable in the current period, and therefore are not reported as liabilities in the funds. Governmental fund long-term liabilities at year-end consisted of the following:

Long-Term Debt (including Lease Purchases) (2,374,590)  
Compensated Absences (240,689)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 17,594,564**

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**YEAR ENDED SEPTEMBER 30, 2016**

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>				
Taxes	\$ 5,983,088	465,879	173,239	\$ 6,622,206
Fines, Fees, Licenses and Permits	5,965,240	-	1,433,404	7,398,644
Charges for Service	1,523,002	33,000	-	1,556,002
Grants	32,209	6,878	-	39,087
Intergovernmental	493,862	-	-	493,862
Miscellaneous	592,683	-	16,146	608,829
Investment Earnings	5,069	6,401	805	12,275
<b>TOTAL REVENUES</b>	<b>14,595,153</b>	<b>512,158</b>	<b>1,623,594</b>	<b>16,730,905</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,055,069	-	-	2,055,069
Judicial	116,177	-	-	116,177
Public Works	2,074,519	-	-	2,074,519
Public Safety	5,500,451	-	23,132	5,523,583
Culture and Recreation	1,007,572	-	-	1,007,572
Capital Outlay	807,964	299,000	-	1,106,964
Debt Service:				
Principal Retirement	165,003	-	-	165,003
Interest and Fiscal Charges	59,687	-	-	59,687
<b>TOTAL EXPENDITURES</b>	<b>11,786,442</b>	<b>299,000</b>	<b>23,132</b>	<b>12,108,574</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,808,711</b>	<b>213,158</b>	<b>1,600,462</b>	<b>4,622,331</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	11,300	-	-	11,300
Insurance Proceeds from Casualty	75,091	-	-	75,091
Lease Purchase	512,000	-	-	512,000
Transfers In	562,220	3,500,000	5,000	4,067,220
Transfers Out	(3,515,000)	-	-	(3,515,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,354,389)</b>	<b>3,500,000</b>	<b>5,000</b>	<b>1,150,611</b>
<b>CHANGES IN FUND BALANCES</b>	<b>454,322</b>	<b>3,713,158</b>	<b>1,605,462</b>	<b>5,772,942</b>
FUND BALANCES, Beginning of Year	7,258,847	4,717,098	104,926	12,080,871
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,713,169</b>	<b>8,430,256</b>	<b>1,710,388</b>	<b>\$ 17,853,813</b>

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**YEAR ENDED SEPTEMBER 30, 2016**

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**TOTAL CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 5,772,942**

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

Repayment of bond principal is an expenditure or other financing use in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 165,003

Bond and lease purchase proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchases increases long-term liabilities in the Statement of Net Position. This is the amount of proceeds received in the current year. (512,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in the interest accrued. 1,473

Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (490,472)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. (15,069)

Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold. (13,760)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$755,991 exceeded depreciation expense of \$696,709 in the current period. 59,282

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 4,967,399**

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

## TOWN OF FORT MILL, SOUTH CAROLINA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	GROSS REVENUE FUND	NONMAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 12,265,836	749,513	\$ 13,015,349
Cash and Cash Equivalents, Restricted	13,977,151	-	13,977,151
Receivables, Net:			
Accounts	1,065,779	-	1,065,779
Other	49,459	15,372	64,831
Due from Other Funds	63,488	-	63,488
Prepaid Expenses	4,391	1,101	5,492
Total Current Assets	27,426,104	765,986	28,192,090
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	1,587,560	-	1,587,560
Depreciable, Net	20,546,307	327,584	20,873,891
Total Non-Current Assets	22,133,867	327,584	22,461,451
<b>TOTAL ASSETS</b>	<b>49,559,971</b>	<b>1,093,570</b>	<b>50,653,541</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	300,880	42,465	343,345
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	820,598	2,223	822,821
Accrued Interest Payable	234,961	-	234,961
Accrued Salaries and Fringe Benefits	60,054	10,853	70,907
Due to Other Funds	1,562,150	63,391	1,625,541
Unearned Revenues	209,180	-	209,180
Current Portion of Compensated Absences	35,000	4,000	39,000
Current Portion of Revenue Bonds and Capital Lease	913,933	-	913,933
Total Current Liabilities	3,835,876	80,467	3,916,343
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	12,491	1,464	13,955
Revenue Bonds and Capital Lease, Less Current Portion	17,547,555	-	17,547,555
Net Pension Liability	1,901,790	268,411	2,170,201
Total Non-Current Liabilities	19,461,836	269,875	19,731,711
<b>TOTAL LIABILITIES</b>	<b>23,297,712</b>	<b>350,342</b>	<b>23,648,054</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	2,065	291	2,356
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,651,904	327,584	14,979,488
Restricted for Debt Service	945,967	-	945,967
Unrestricted	10,963,203	457,818	11,421,021
<b>TOTAL NET POSITION</b>	<b>\$ 26,561,074</b>	<b>785,402</b>	<b>\$ 27,346,476</b>

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



TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2016

	<b>GROSS REVENUE FUND</b>	<b>NONMAJOR STORMWATER FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>OPERATING REVENUES</b>			
Water Revenue and Penalties	\$ 3,228,280	-	\$ 3,228,280
Sewer Revenues	2,898,950	-	2,898,950
York County Water Sales	163	-	163
Riverview Water Sales	212,952	-	212,952
Tega Cay Water Sales	259,178	-	259,178
Water Taps	1,619,720	-	1,619,720
Sewer Taps	1,750,160	-	1,750,160
Stormwater Revenues	-	741,693	741,693
Other Revenues	46,515	-	46,515
<b>TOTAL OPERATING REVENUES</b>	<b>10,015,918</b>	<b>741,693</b>	<b>10,757,611</b>
<b>OPERATING EXPENSES</b>			
Water	2,645,498	-	2,645,498
Sewer	1,312,060	-	1,312,060
Personnel Expenses	-	226,541	226,541
Contractual Expenses	-	6,378	6,378
Materials and Supplies	-	11,548	11,548
Other Operating Expenses	34,118	18,345	52,463
Depreciation	938,504	54,597	993,101
<b>TOTAL OPERATING EXPENSES</b>	<b>4,930,180</b>	<b>317,409</b>	<b>5,247,589</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5,085,738</b>	<b>424,284</b>	<b>5,510,022</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Insurance Proceeds from Casualty	14,100	-	14,100
Investment Earnings	24,710	-	24,710
Interest Expense and Fiscal Charges	(713,454)	-	(713,454)
Gain on Sale of Capital Assets	3,000	-	3,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(671,644)</b>	<b>-</b>	<b>(671,644)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>4,414,094</b>	<b>424,284</b>	<b>4,838,378</b>
Capital Contributions - Donated Infrastructure	2,665,467	-	2,665,467
Transfers Out	(552,220)	-	(552,220)
<b>CHANGES IN NET POSITIONS</b>	<b>6,527,341</b>	<b>424,284</b>	<b>6,951,625</b>
NET POSITIONS, Beginning of Year	20,033,733	361,118	20,394,851
<b>NET POSITIONS, End of Year</b>	<b>\$ 26,561,074</b>	<b>785,402</b>	<b>\$ 27,346,476</b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2016

	GROSS REVENUE FUND	NONMAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Fees and Services	\$ 9,837,110	741,693	\$ 10,578,803
Receipts from Other Revenues	32,668	(1,310)	31,358
Payments for Personnel Services	(1,051,652)	(198,482)	(1,250,134)
Payments for Goods and Services	(2,335,463)	(52,687)	(2,388,150)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,482,663</u>	<u>489,214</u>	<u>6,971,877</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers To Other Funds	212,830	35,508	248,338
Other Non-Operating Receipts (Payments)	14,100	-	14,100
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>226,930</u>	<u>35,508</u>	<u>262,438</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(833,565)	(382,181)	(1,215,746)
Proceeds Received from the Disposal of Capital Assets	3,000	-	3,000
Bond and Note Payments	(886,356)	-	(886,356)
Interest Paid on Bonds	(613,164)	-	(613,164)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,330,085)</u>	<u>(382,181)</u>	<u>(2,712,266)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Income Received on Investments	24,710	-	24,710
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>24,710</u>	<u>-</u>	<u>24,710</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,404,218</b>	<b>142,541</b>	<b>4,546,759</b>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	21,838,769	606,972	22,445,741
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year</b>	<b><u>\$ 26,242,987</u></b>	<b><u>749,513</u></b>	<b><u>\$ 26,992,500</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 5,085,738	424,284	\$ 5,510,022
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	938,504	54,597	993,101
Change in Accounts Representing Operating Activities			
Receivables	(155,460)	(1,310)	(156,770)
Prepaid Expenses	(4,391)	(1,101)	(5,492)
Deferred Pension Charges	(181,988)	(25,685)	(207,673)
Accounts Payable	380,890	(15,315)	365,575
Accrued Salaries & Fringe Benefits	19,492	(1,742)	17,750
Unearned Revenues	9,320	-	9,320
Compensated Absences	(2,585)	-	(2,585)
Net Pension Liabilities	393,775	55,576	449,351
Deferred Pension Credits	(632)	(90)	(722)
Net Cash Provided by Operating Activities	<u>\$ 6,482,663</u>	<u>489,214</u>	<u>\$ 6,971,877</u>
Non-Cash Capital and Related Financing Activities			
Donated Capital Assets	<u>\$ 2,665,467</u>	<u>-</u>	<u>\$ 2,665,467</u>

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

## TOWN OF FORT MILL, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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The Town of Fort Mill, South Carolina (the “Town”) was initially incorporated on February 12, 1873 under the general law for government of municipalities of the State of South Carolina. The original charter was surrendered on October 11, 1907 and the Town accepted incorporation under the provisions of Article II, Chapter XLIX, Code of 1902 and amendments thereto. The Town operates under the Council-Manager form of government pursuant to the Home Rule Statute, Act No. 283 of 1975. The Council is composed of a Mayor and six Council members. The Mayor and two Council members are elected at-large and four Council members are elected on a single member ward basis. The Council appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, (“GAAP”), as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

As required by GAAP, the financial statements must present the Town’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity’s governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity’s resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any component units.

##### *Related Organizations*

###### Fort Mill Housing Authority

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

##### *Major Operations*

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the Proprietary Funds' financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Town has two Enterprise Funds:

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

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

***Change in Accounting Principle***

The Town implemented GASB Statement No. 72 "*Fair Value Measurement and Application*" ("GASB #72" or "Statement") for the year ended September 30, 2016. The primary objective of this Statement was to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of this Statement had no impact on the Town's financial statements but did result in expanded note disclosures. See Note I.C.11 and Note III.A for more information regarding the Town's fair value disclosures.

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

***1. Cash, Cash Equivalents, and Investments***

**Cash and Cash Equivalents**

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

**Investments**

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Investments (Continued)**

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

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

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

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

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

**2. Receivables and Payables**

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

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### 3. Inventories and Prepaids

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

##### 4. Capital Assets

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

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

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

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

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

##### 5. Compensated Absences

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

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



# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### 6. *Accrued Liabilities and Long-Term Obligations*

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

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

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

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

##### 7. *Deferred Outflows/Inflows of Resources*

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Fund Balance*

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Council is the only party that has the right to make assignments of fund balance for the Town at this time.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town currently has a fund balance policy which states that the Town should maintain a General Fund balance of approximately 25% to 30% of the current year's General Fund operating budget.

The Town generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available to be expended unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

9. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding borrowings which have not been spent are included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**10. Pensions**

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

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

**11. Fair Value**

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:
  - Quoted prices for similar assets and liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted market prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
  - Fair value is often based on developed models in which there are few, if any, observable inputs.

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

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### *12. Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

##### *13. Accounting Estimates*

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

##### *14. Comparative Data*

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

### II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

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

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

### II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

#### A. Budgetary Information (Continued)

7. The budgets at the end of the year for these funds represent the budgets adopted and amended by the Town Council.
8. Encumbrances lapse but are generally added to the budget adopted by Town Council for that year. It is Town policy to close out all encumbrances possible before year-end. The Town had no encumbrances at September 30, 2016.

### 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, 2016, none of the Town's bank balances of approximately \$42,166,000 (which had a carrying value of approximately \$42,265,000) were exposed to custodial credit risk.

##### *Investments*

As of September 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value Level (1)	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Level 1	*	\$ 1,096,564	< 1 Year

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

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

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

**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, 2016, 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.

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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

#### A. Deposits and Investments (Continued)

##### *Investments (Continued)*

Certain cash, cash equivalents, and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2016 were related to (a) bond and lease agreements (\$14,264,000), (b) narcotics (\$72,000), (c) hospitality taxes (\$1,274,000), (d) impact fees (\$1,434,000), and (e) other (\$313,000).

#### B. Receivables and Unavailable Revenues

##### *Property Taxes and Unavailable Revenues*

Real property taxes are levied on October 1 on the assessed valuations of property located in York County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16-February 1	3% of tax
February 2-March 16	10% of tax
March 17 and thereafter	15 % of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by York County. Property tax revenue is recognized when collected by the County Treasurer's Office. Assessed values for real estate are established annually by the York County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. For the year ended September 30, 2016, millage was set at 86.0 mills (86.0 mills in the prior year) to cover general Town services and uses. The Town's assessed value of real and personal property was approximately \$69.8 million for the tax year 2016.

Based on information provided by the York County Treasurer's Office, the Town has recorded uncollected property taxes at September 30, 2016 of approximately \$261,000 (net of allowance for uncollectible portion of approximately \$7,000) for the General Fund. Delinquent property taxes of approximately \$12,000 have been recognized as revenue at September 30, 2016 because it was collected within 60 days of year end. Approximately \$97,000 has been recognized as revenue as it was collected by the County during September 2016, and remitted to the Town in October. The remaining delinquent property tax receivable of approximately \$152,000 has been recorded as unavailable revenue (component of deferred inflows of resources) on the governmental fund financial statements because it was not collected within 60 days of year end.

##### *Other Receivables*

The Town has other receivables primarily related to its garbage services and water/sewer operations of approximately \$199,000 (net of allowance for uncollectible portion of approximately \$3,000) and \$1,066,000 (net of allowance for uncollectible portion of approximately \$41,000), respectively. The services that generate the garbage and water/sewer receivables are provided and billed each month and are considered due as of September 30, 2016 (garbage service receivables are considered available as they are expected to be collected within 60 days of year-end).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

The interfund balances at September 30, 2016, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year):

Fund	Receivables	Payables
General Fund	\$ 1,623,176	\$ 62,923
Capital Projects Fund	1,800	-
Gross Revenue Fund	63,488	1,562,150
Stormwater Fund	-	63,391
Totals	<u>\$ 1,688,464</u>	<u>\$ 1,688,464</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, 2016, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Funds:</u></b>		
General Fund	\$ 562,220	\$ 3,515,000
Capital Projects Fund	3,500,000	-
Gross Revenue Fund	-	552,220
<b><u>Other Non-Major Funds:</u></b>		
Special Revenue Fund - Narcotics Fund	5,000	-
Totals	<u>\$ 4,067,220</u>	<u>\$ 4,067,220</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds. The Town transferred \$3,500,000 from the General Fund to the Capital Projects Fund in line with the Town's fund balance policy. In addition, the Town transferred approximately \$552,000 from the Gross Revenue Fund to the General Fund to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

**D. Capital Assets**

Capital asset activity for the Town's governmental activities for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 1,920,717	-	-	-	\$ 1,920,717
Total Capital Assets, Non-Depreciable	<u>1,920,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,920,717</u>
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	69,936	-	-	1,760,233
Building and Improvements	6,146,621	5,264	-	-	6,151,885
Equipment	2,077,603	326,224	6,301	-	2,397,526
Vehicles	4,221,699	354,567	74,094	-	4,502,172
Total Capital Assets, Depreciable	<u>14,409,505</u>	<u>755,991</u>	<u>80,395</u>	<u>-</u>	<u>15,085,101</u>
Less: Accumulated Depreciation for:					
Land Improvements	151,222	18,219	-	-	169,441
Infrastructure	359,805	43,132	-	-	402,937
Building and Improvements	1,849,126	146,969	-	-	1,996,095
Equipment	1,623,097	146,762	5,356	-	1,764,503
Vehicles	1,911,223	341,627	61,279	-	2,191,571
Total Accumulated Depreciation	<u>5,894,473</u>	<u>696,709</u>	<u>66,635</u>	<u>-</u>	<u>6,524,547</u>
Total Capital Assets, Depreciable, Net	<u>8,515,032</u>	<u>59,282</u>	<u>13,760</u>	<u>-</u>	<u>8,560,554</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,435,749</u>	<u>59,282</u>	<u>13,760</u>	<u>-</u>	<u>\$ 10,481,271</u>

Capital asset additions and depreciation expense for the Town's governmental activities were charged/allocated to functions/programs for the year ended September 30, 2016 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 41,478	\$ 190,853
Public Safety	354,857	231,012
Public Works	255,870	186,477
Culture and Recreation	103,786	88,367
Totals - Governmental Activities	<u>\$ 755,991</u>	<u>\$ 696,709</u>



**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

**D. Capital Assets (Continued)**

Capital asset activity for the Town's business-type activities for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 605,505	-	-	-	\$ 605,505
Construction in Progress	201,646	780,409	-	-	982,055
Total Capital Assets, Non-Depreciable	807,151	780,409	-	-	1,587,560
Capital Assets, Depreciable:					
Infrastructure	31,057,148	2,665,467	-	-	33,722,615
Building and Improvements	670,542	-	-	-	670,542
Equipment	721,568	31,517	-	-	753,085
Vehicles	292,212	403,820	11,132	-	684,900
Total Capital Assets, Depreciable	32,741,470	3,100,804	11,132	-	35,831,142
Less: Accumulated Depreciation for:					
Infrastructure	13,129,032	837,847	-	-	13,966,879
Building and Improvements	171,862	15,216	-	-	187,078
Equipment	507,496	50,195	-	-	557,691
Vehicles	166,892	89,843	11,132	-	245,603
Total Accumulated Depreciation	13,975,282	993,101	11,132	-	14,957,251
Total Capital Assets, Depreciable, Net	18,766,188	2,107,703	-	-	20,873,891
Business-Type Activities Capital Assets, Net	\$ 19,573,339	2,888,112	-	-	\$ 22,461,451

Capital asset additions and depreciation expense from the Town's business-type activities were charged/allocated to functions/programs for the year ended September 30, 2016 as follows:

Function/Program	Capital Asset Additions	Depreciation Expense
Water/Sewer	\$ 3,499,032	\$ 938,504
Stormwater	382,181	54,597
Totals	\$ 3,881,213	\$ 993,101

The cost of capital assets that was purchased under capital lease was approximately \$3,011,000. Accumulated amortization was approximately \$1,794,000 at September 30, 2016. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

The Town has several ongoing construction projects as of September 30, 2016, primarily consisting of renovations and improvements to their water and sewer systems. Total remaining commitments on construction contracts was approximately \$14,549,000 at September 30, 2016.

The Town's governmental and business-type activities receive from time to time donated capital assets (generally water and sewer infrastructure) from subdivisions/projects that are given to the Town from various parties. In 2016, the Town received donations of approximately \$2,665,000 primarily in donated water and sewer lines.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

**E. Long-Term Obligations**

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

Details on the Town's governmental activities outstanding debt issues and lease purchases as of September 30, 2016 are as follows:

	Principal Outstanding at Year End
<b><i>General Obligation Bonds</i></b>	
\$1,500,000 general obligation bonds issued in March, 2012 ("Series 2012"), due in annual installments of \$127,017 beginning March 16, 2013 through March 16, 2027 which includes interest at 3.150%. The proceeds from this issue were used to defray the cost of designing and constructing two athletic fields and renovating an existing athletic field.	\$ 1,165,536
<b><i>Lease Purchase Obligations</i></b>	
\$850,000 lease purchase was entered into in December 2013, with annual installments of \$97,673 beginning December 11, 2014 through December 11, 2023 which includes interest at 2.610%. The proceeds were primarily used to fund the acquisition of a fire pumper truck.	697,054
\$512,000 lease purchase was entered into in July 2016, with annual installments of \$77,838 beginning July 20, 2017 through July 20, 2023 which includes interest at 1.580%. The proceeds were primarily used to fund the acquisition of equipment/vehicles.	512,000
Total Lease Purchase Obligations	\$ 1,209,054

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2016, for the Town's governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
GOB - Series 2012	\$ 1,253,081	-	87,545	1,165,536	\$ 90,303
Total Debt	1,253,081	-	87,545	1,165,536	90,303
Lease Purchases:					
2013 Pumper Truck	774,512	-	77,458	697,054	79,480
2016 Equipment Lease	-	512,000	-	512,000	69,748
Total Lease Purchases	774,512	512,000	77,458	1,209,054	149,228
Compensated Absences	225,620	195,285	180,216	240,689	180,000
<b>Total Governmental Activities</b>	<b>\$ 2,253,213</b>	<b>707,285</b>	<b>345,219</b>	<b>2,615,279</b>	<b>\$ 419,531</b>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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

E. Long-Term Obligations (Continued)

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

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of September 30, 2016, the Town had approximately \$1,166,000 of bonded debt subject to the 8% limit of approximately \$5,582,000 resulting in an unused legal debt margin of approximately \$4,416,000.

Details on the Town's business-type activities outstanding debt issues and capital lease as of September 30, 2016 are as follows:

	Principal Outstanding at Year End
<i>Debt</i>	
\$6,152,000 waterworks and sewer system refunding revenue bonds issued in January, 2011 ("2011 Refunding Bonds"), due in annual installments ranging from \$471,000 to \$555,000 beginning December 1, 2012 through December 1, 2023 and semi-annual interest payments at 3.550%. The proceeds from this issuance were used to advance refund the 1998, 2003A, and 2004 series bonds and to provide funding for further expansion and improvement of the water/sewer system.	\$ 3,625,000
\$926,000 waterworks and sewer system refunding and improvement revenue bonds issued in June, 2011 ("2011B Refunding Bonds"), due in annual installments ranging from \$82,000 to \$104,000 beginning December 1, 2011 through December 1, 2020 and semi-annual interest payments at 3.190%. The proceeds from this issuance were used to refund the Town's 2011 series bonds and to expand the Town's water and wastewater system.	494,000
\$1,330,000 water and wastewater system revenue bonds issued in April, 2013 ("2013A Revenue Bonds"), due in annual installments ranging from \$28,000 to \$120,000 beginning December 1, 2015 through December 1, 2027 and semi-annual interest payments at 1.900%. The proceeds from this issuance were used to finance certain improvements and extensions to the Town's water and wastewater system.	1,302,000
\$11,605,000 water and wastewater system improvement revenue bonds issued in August, 2015 ("2015 Revenue Bonds"), due in annual installments ranging from \$65,000 to \$885,000 beginning December 1, 2017 through December 1, 2040 and semi-annual interest payments ranging from 2.000% to 5.000%. The proceeds from this issuance were used to finance certain improvements to the Town's water and wastewater system.	11,605,000
Total Debt	<u>\$ 17,026,000</u>
<i>Capital Lease Obligation</i>	
\$2,762,550 capital lease was entered into in December, 1992 ("Rock Hill Water Line Lease"), due in annual installments of \$101,919 to \$202,185 beginning December 1, 1993 through December 1, 2019, plus an average interest rate of approximately 5.6% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	<u>\$ 725,748</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

**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, 2016, for the Town's business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
2011 Refunding Bonds	\$ 4,165,000	-	540,000	3,625,000	\$ 555,000
2011B Refunding Bonds	586,000	-	92,000	494,000	94,000
2013A Revenue Bonds	1,330,000	-	28,000	1,302,000	98,000
2013B Revenue Bonds	68,000	-	68,000	-	-
2015 Revenue Bonds	11,605,000	-	-	11,605,000	-
Total Debt	17,754,000	-	728,000	17,026,000	747,000
Capital Lease - Rock Hill Water Line	884,104	-	158,356	725,748	166,933
Debt Premium - 2015 Revenue Bonds	739,416	-	29,676	709,740	-
Compensated Absences	55,540	32,255	34,840	52,955	39,000
<b>Total Business-Type Activities</b>	<b>\$ 19,433,060</b>	<b>32,255</b>	<b>950,872</b>	<b>18,514,443</b>	<b>\$ 952,933</b>

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

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

In addition, the bond ordinance also contains various negative, affirmative, and administrative covenants as defined in the bond ordinance. Of particular importance is the requirement that the Town maintain a rate covenant (net earnings to annual principal and interest requirements for qualified debt for the each fiscal year as defined) of 120%. The Town well exceeded the rate covenant for the year ended September 30, 2016.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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

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

**Debt Service Requirements to Maturity**

Presented below is a summary of debt service requirements to maturity by year for the Town's governmental and business-type activities as of September 30, 2016:

Year Ended September 30,	Debt		Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2017	\$ 90,303	36,714	149,228	26,283	\$ 302,528
2018	93,147	33,870	152,405	23,106	302,528
2019	96,081	30,936	155,653	19,858	302,528
2020	99,108	27,909	158,974	16,537	302,528
2021	102,230	24,787	162,370	13,141	302,528
2022-2026	561,530	73,555	430,424	18,269	1,083,778
2027-2031	123,137	3,879	-	-	127,016
Totals	<u>\$ 1,165,536</u>	<u>231,650</u>	<u>1,209,054</u>	<u>117,194</u>	<u>\$ 2,723,434</u>
<b><u>Business-Type Activities</u></b>					
2017	\$ 747,000	649,347	166,933	35,729	\$ 1,599,009
2018	772,000	624,866	176,230	26,285	1,599,381
2019	795,000	599,342	186,249	16,333	1,596,924
2020	823,000	572,769	196,336	5,851	1,597,956
2021	849,000	545,875	-	-	1,394,875
2022-2026	3,147,000	2,349,936	-	-	5,496,936
2027-2031	2,608,000	1,905,586	-	-	4,513,586
2032-2036	3,210,000	1,302,747	-	-	4,512,747
2037-2041	4,075,000	436,920	-	-	4,511,920
Totals	<u>\$ 17,026,000</u>	<u>8,987,388</u>	<u>725,748</u>	<u>84,198</u>	<u>\$ 26,823,334</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

**Participation in Public Entity Risk Pools for Property and Casualty Insurance**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF"), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town pays a bi-annual premium to SCMIRF for its general insurance. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2015, totaled approximately \$14,390,000. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in the past three fiscal years.

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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### IV. OTHER INFORMATION (CONTINUED)

#### A. Risk Management (Continued)

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

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Town pays a quarterly premium to SCMIT. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2015, totaled approximately \$54,388,000. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in the past three fiscal years.

##### Health Plan

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

#### B. Retirement Plans

The Town participates in the State of South Carolina's retirement plan, which is administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

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

##### *Plan Descriptions*

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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### IV. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *Plan Membership*

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

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

##### *Plan Benefits*

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

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Plan Benefits (Continued)*

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

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

*Plan Contributions*

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

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation.



**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Plan Contributions (Continued)*

Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates					
	2014		2015		2016	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate:						
Retirement	10.45%	10.75%	10.75%	10.91%	10.91%	11.41%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>10.60%</u>	<u>10.90%</u>	<u>10.90%</u>	<u>11.06%</u>	<u>11.06%</u>	<u>11.56%</u>
Employee Rate	<u>7.50%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.16%</u>	<u>8.16%</u>	<u>8.66%</u>
	PORS Rates					
	2014		2015		2016	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate:						
Retirement	12.44%	13.01%	13.01%	13.34%	13.34%	13.84%
Incidental Death Benefit	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
	<u>12.84%</u>	<u>13.41%</u>	<u>13.41%</u>	<u>13.74%</u>	<u>13.74%</u>	<u>14.24%</u>
Employee Rate	<u>7.84%</u>	<u>8.41%</u>	<u>8.41%</u>	<u>8.74%</u>	<u>8.74%</u>	<u>9.24%</u>

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

Year Ended September 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2016	\$ 350,962	100%	\$ 421,206	100%
2015	321,943	100%	342,355	100%
2014	\$ 282,776	100%	\$ 305,395	100%

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

Year Ended September 30,	SCRS Payroll	PORS Payroll	Total Payroll
2016	\$ 3,134,263	3,035,051	\$ 6,169,314
2015	2,941,829	2,536,274	5,478,103
2014	\$ 2,647,317	2,350,328	\$ 4,997,645

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

### IV. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2015 actuarial valuations as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

\* Includes inflation at 2.75%.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Actuarial Assumptions and Methods (Continued)*

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for the SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Long-term Expected Rate of Return (Continued)*

Allocation/Exposure	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

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

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016 measurement date, for the SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	23,996,362,354	\$ 21,359,852,398	52.9%
PORS	\$ 6,412,510,458	3,876,035,732	\$ 2,536,474,726	60.4%

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

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

At September 30, 2016, the Town reported liabilities of approximately \$6,791,000 and \$5,722,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2015 that was projected forward to the measurement date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2016 measurement date, the Town's SCRS proportion was 0.031794 percent, which was an increase of 0.001274 from its proportion measured as of June 30, 2015. At the June 30, 2016 measurement date, the Town's PORS proportion was 0.22559 percent, which was an increase of 0.0245 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Town recognized pension expense of approximately \$733,000 and \$771,000 for the SCRS and PORS, respectively. At September 30, 2016, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 70,398	\$ 7,374
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	571,354	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	332,968	-
Town's Contributions Subsequent to the Measurement Date	99,701	-
Total SCRS	<u>1,074,421</u>	<u>7,374</u>
PORS:		
Differences Between Expected and Actual Experience	84,905	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	648,834	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	523,304	-
Town's Contributions Subsequent to the Measurement Date	119,325	-
Total PORS	<u>1,376,368</u>	<u>-</u>
Total SCRS and PORS	<u>\$ 2,450,789</u>	<u>\$ 7,374</u>

Approximately \$100,000 and \$119,000 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will be recognized in pension expense as follows:

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

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

Year Ended September 30,	SCRS	PORS	Total
2017	\$ 286,167	317,889	\$ 604,056
2018	249,369	313,585	562,954
2019	296,691	403,763	700,454
2020	135,119	221,806	356,925
Total	<u>\$ 967,346</u>	<u>1,257,043</u>	<u>\$ 2,224,389</u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis*

The following table presents the sensitivity of the Town's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.50 percent) or 1% point higher (8.50 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability of the SCRS	\$ 8,471,776	6,791,150	\$ 5,392,095
Town's proportionate share of the net pension liability of the PORS	7,499,281	5,722,084	4,124,939
Total Net Pension Liability	<u>\$ 15,971,057</u>	<u>12,513,234</u>	<u>\$ 9,517,034</u>

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

*Payable to Plans*

The Town reported a payable of approximately \$108,000 to the PEBA as of September 30, 2016, representing required employer and employee contributions for the month of September 2016 for the SCRS and PORS. This amount is included in Accrued Salaries and Benefits on the financial statements and was paid in October 2016.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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**IV. OTHER INFORMATION (CONTINUED)**

**C. Contingent Liabilities and Commitments**

***Grants***

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

***Litigation***

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

**D. Deferred Compensation Plan**

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was approximately \$5,563,000 of the Town's approximately \$6,445,000 total payroll (for all Town employees). Employees can contribute a minimum of \$10 of gross salary per paycheck, up to a maximum of \$15,000 per year.

Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. There are no eligibility or vesting requirements. The Town contributes \$10 per pay period to each employee chosen to participate. Employer and employee contributions were approximately \$24,000 and \$102,000 respectively for the year ended September 30, 2016. There were no significant changes in plan provisions during the current year.

**E. Postemployment Benefits Other Than Pensions**

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

**F. Subsequent Event**

In January 2017, the Town closed on the purchase of a new building that will alleviate the need for more administrative space due to the addition of employees in several departments. The cost of the building was approximately \$1,485,000.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

## TOWN OF FORT MILL, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2016

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 5,543,000	5,543,000	5,983,088	\$ 440,088
Fines, Fees, Licenses and Permits	4,880,100	4,880,100	5,965,240	1,085,140
Charges For Services	1,312,400	1,312,400	1,523,002	210,602
Grants	32,000	32,000	32,209	209
Intergovernmental	349,009	349,009	493,862	144,853
Miscellaneous	549,800	549,800	592,683	42,883
Investment Earnings	5,000	5,000	5,069	69
<b>TOTAL REVENUES</b>	<b>12,671,309</b>	<b>12,671,309</b>	<b>14,595,153</b>	<b>1,923,844</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,591,128	2,591,128	2,055,069	536,059
Judicial	163,838	163,838	116,177	47,661
Public Works	2,547,354	2,547,354	2,074,519	472,835
Public Safety	6,409,570	6,409,570	5,500,451	909,119
Culture and Recreation	1,017,040	1,017,040	1,007,572	9,468
Capital Outlay	1,191,005	1,191,005	807,964	383,041
Debt Service:				
Principal Retirement	165,003	165,003	165,003	-
Interest and Fiscal Charges	59,687	59,687	59,687	-
<b>TOTAL EXPENDITURES</b>	<b>14,144,625</b>	<b>14,144,625</b>	<b>11,786,442</b>	<b>2,358,183</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>    REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,473,316)</b>	<b>(1,473,316)</b>	<b>2,808,711</b>	<b>4,282,027</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	10,000	10,000	11,300	1,300
Insurance Proceeds from Casualty	42,007	42,007	75,091	33,084
Lease Purchase	530,000	530,000	512,000	(18,000)
Transfers In	826,309	826,309	562,220	(264,089)
Transfers Out	(10,000)	(10,000)	(3,515,000)	(3,505,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,398,316</b>	<b>1,398,316</b>	<b>(2,354,389)</b>	<b>(3,752,705)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>454,322</b>	<b>529,322</b>
FUND BALANCES, Beginning of Year	7,258,847	7,258,847	7,258,847	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,183,847</b>	<b>7,183,847</b>	<b>7,713,169</b>	<b>\$ 529,322</b>

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$75,000.

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS**

---

	<b>Year Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's Proportion of the Net Pension Liability (Asset)	0.031794%	0.030520%	0.028883%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,791,150	5,788,265	\$ 4,972,695
Town's Covered-Employee Payroll	\$ 3,074,149	2,859,756	\$ 2,625,432
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	220.91%	202.40%	189.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.91%	56.99%	59.92%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the year presented.  
Only three years of data were available; thus, only three years were presented.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS**

---

	<b>Year Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 350,962	321,943	\$ 282,776
Contributions in Relation to the Contractually Required Contribution	350,962	321,943	282,776
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 3,134,263	2,941,829	\$ 2,647,317
Contributions as a Percentage of Covered-Employee Payroll:	11.20%	10.94%	10.68%

**Notes to Schedule:**

Only three years of data were available; thus, only three years were presented.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS**

---

	<b>Year Ended September 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's Proportion of the Net Pension Liability (Asset)	0.22559%	0.20109%	0.19145%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,722,084	4,382,727	\$ 3,665,229
Town's Covered-Employee Payroll	\$ 2,876,001	2,491,219	\$ 2,301,374
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	198.96%	175.93%	159.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.44%	64.57%	67.55%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the year presented.  
Only three years of data were available; thus, only three years were presented.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS**

---

	Year Ended September 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 421,206	342,355	\$ 305,395
Contributions in Relation to the Contractually Required Contribution	421,206	342,355	305,395
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 3,035,051	2,536,274	\$ 2,350,328
Contributions as a Percentage of Covered-Employee Payroll:	13.88%	13.50%	12.99%

**Notes to Schedule:**

Only three years of data were available; thus, only three years were presented.

# **SUPPLEMENTARY INFORMATION**

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Taxes:</b>			
Current Property Taxes	\$ 4,894,000	5,172,630	\$ 278,630
Current Vehicle Taxes	580,000	756,365	176,365
Delinquent Taxes	2,000	-	(2,000)
Prior Years, Including Penalties and Execution Fees	20,000	14,203	(5,797)
Housing Authority in Lieu of Taxes	47,000	39,890	(7,110)
<b>Total Taxes</b>	<b>5,543,000</b>	<b>5,983,088</b>	<b>440,088</b>
<b>Fines, Fees, Licenses, and Permits:</b>			
Privilege Licenses	2,850,000	3,399,315	549,315
Duke Power in Lieu of Taxes	390,000	390,108	108
York Electric in Lieu of Taxes	260,000	377,418	117,418
Fines and Penalties	80,000	84,314	4,314
Permits	1,300,100	1,714,085	413,985
<b>Total Fines, Fees, Licenses, and Permits</b>	<b>4,880,100</b>	<b>5,965,240</b>	<b>1,085,140</b>
<b>Charges for Services:</b>			
Garbage Revenue	950,400	1,079,182	128,782
Athletics Revenue	314,000	392,158	78,158
Grave Openings	30,000	32,275	2,275
Assembly Center Fees	18,000	19,387	1,387
<b>Total Charges for Services</b>	<b>1,312,400</b>	<b>1,523,002</b>	<b>210,602</b>
<b>Grant Revenues:</b>			
Federal Grant	25,000	27,495	2,495
State Grant	7,000	4,714	(2,286)
<b>Total Grant Revenues</b>	<b>32,000</b>	<b>32,209</b>	<b>209</b>
<b>Intergovernmental Revenues:</b>			
State Shared Revenue	233,240	237,993	4,753
State Accommodations Taxes	25,000	25,000	-
Manufacturer's Depreciation Reimbursement	300	283	(17)
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	75,000	215,117	140,117
<b>Total Intergovernmental Revenues</b>	<b>349,009</b>	<b>493,862</b>	<b>144,853</b>
<b>Miscellaneous:</b>			
School Resource Officers	170,300	124,896	(45,404)
York County Fire Protection	28,000	27,112	(888)
Spring Festival	200,000	232,982	32,982
Credit Card Convenience Fee	35,000	53,979	18,979
Other	116,500	153,714	37,214
<b>Total Miscellaneous</b>	<b>\$ 549,800</b>	<b>592,683</b>	<b>\$ 42,883</b>

(Continued)



TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Investment Earnings:</b>			
Investment Earnings	\$ 5,000	5,069	\$ 69
<b>Total Investment Earnings</b>	<b>5,000</b>	<b>5,069</b>	<b>69</b>
<b>TOTAL REVENUES</b>	<b>12,671,309</b>	<b>14,595,153</b>	<b>1,923,844</b>
<b>EXPENDITURES</b>			
<b>General Government:</b>			
Town Council:			
Personnel Services	25,975	26,768	(793)
Operating Expenditures	472,599	272,176	200,423
Community Promotions	6,000	2,068	3,932
Miscellaneous	1,000	418	582
Total Town Council	505,574	301,430	204,144
Administration:			
Personnel Services	1,513,739	1,249,257	264,482
Operating Expenditures	571,815	504,382	67,433
Capital Outlay	78,000	54,850	23,150
Total Administration	2,163,554	1,808,489	355,065
<b>Total General Government</b>	<b>2,669,128</b>	<b>2,109,919</b>	<b>559,209</b>
<b>Judicial:</b>			
Municipal Court:			
Personnel Services	108,738	90,181	18,557
Operating Expenditures	55,100	25,996	29,104
Capital Outlay	5,000	-	5,000
Total Municipal Court	168,838	116,177	52,661
<b>Total Judicial</b>	<b>168,838</b>	<b>116,177</b>	<b>52,661</b>
<b>Public Works:</b>			
Administration:			
Personnel Services	47,230	47,072	158
Operating Expenditures	41,553	32,098	9,455
Total Administration	88,783	79,170	9,613
Sanitation:			
Personnel Services	144,801	151,682	(6,881)
Operating Expenditures	476,820	518,224	(41,404)
Capital Outlay	285,000	-	285,000
Total Sanitation	\$ 906,621	669,906	\$ 236,715

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Public Works (Continued):</b>			
Building and Grounds:			
Personnel Services	\$ 676,076	583,445	\$ 92,631
Operating Expenditures	169,488	95,360	74,128
Capital Outlay	115,000	108,999	6,001
Total Building and Grounds	960,564	787,804	172,760
Street Department:			
Personnel Services	273,871	139,399	134,472
Operating Expenditures	520,264	341,499	178,765
Capital Outlay	245,500	162,011	83,489
Total Street Department	1,039,635	642,909	396,726
Garage and Vehicle:			
Personnel Services	126,245	120,660	5,585
Operating Expenditures	61,006	45,080	15,926
Capital Outlay	10,000	4,601	5,399
Total Garage and Vehicle	197,251	170,341	26,910
<b>Total Public Works</b>	<b>3,192,854</b>	<b>2,350,130</b>	<b>842,724</b>
<b>Public Safety:</b>			
Police Department:			
Personnel Services	3,159,751	3,072,702	87,049
Operating Expenditures	772,445	615,469	156,976
Capital Outlay	259,205	279,169	(19,964)
Total Police Department	4,191,401	3,967,340	224,061
Fire Department:			
Personnel Services	2,137,491	1,520,252	617,239
Operating Expenditures	339,883	292,028	47,855
Capital Outlay	111,300	106,347	4,953
Total Fire Department	2,588,674	1,918,627	670,047
<b>Total Public Safety</b>	<b>6,780,075</b>	<b>5,885,967</b>	<b>894,108</b>
<b>Cultural and Recreation:</b>			
Recreation:			
Personnel Services	411,961	410,003	1,958
Operating Expenditures	605,079	597,569	7,510
Capital Outlay	92,000	91,987	13
<b>Total Cultural and Recreation</b>	<b>\$ 1,109,040</b>	<b>1,099,559</b>	<b>\$ 9,481</b>

(Continued)

**TOWN OF FORT MILL, SOUTH CAROLINA**

**SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND**

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

**YEAR ENDED SEPTEMBER 30, 2016**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Debt Service:</b>			
Principal Retirement	\$ 165,003	165,003	\$ -
Interest and Fiscal Charges	59,687	59,687	-
<b>Total Debt Service</b>	<u>224,690</u>	<u>224,690</u>	<u>-</u>
 <b>TOTAL EXPENDITURES</b>	 <u><b>14,144,625</b></u>	 <u><b>11,786,442</b></u>	 <u><b>2,358,183</b></u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u><b>(1,473,316)</b></u>	 <u><b>2,808,711</b></u>	 <u><b>4,282,027</b></u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Disposal of Capital Assets	10,000	11,300	1,300
Insurance Proceeds from Casualty	42,007	75,091	33,084
Lease Purchase	530,000	512,000	(18,000)
Transfers In	826,309	562,220	(264,089)
Transfers Out	(10,000)	(3,515,000)	(3,505,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,398,316</u>	<u>(2,354,389)</u>	<u>(3,752,705)</u>
 <b>CHANGES IN FUND BALANCES</b>	 <u><b>(75,000)</b></u>	 <u><b>454,322</b></u>	 <u><b>529,322</b></u>
 FUND BALANCES, Beginning of Year	 <u>5,062,245</u>	 <u>7,258,847</u>	 <u>2,196,602</u>
 <b>FUND BALANCES, End of Year</b>	 <u><u><b>\$ 4,987,245</b></u></u>	 <u><u><b>7,713,169</b></u></u>	 <u><u><b>\$ 2,725,924</b></u></u>

## TOWN OF FORT MILL, SOUTH CAROLINA

## SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

## COMBINING BALANCE SHEET - NON-MAJOR FUNDS

SEPTEMBER 30, 2016

	SPECIAL REVENUE FUNDS					TOAL NON-MAJOR FUNDS
	NARCOTICS	LOCAL ACCOMMODATIONS TAX	FIRE IMPACT FEES	MUNICIPAL FACILITIES IMPACT FEES	PARKS & RECREATION IMPACT FEES	
<b>ASSETS</b>						
Cash and Cash Equivalents, Restricted	\$ 72,149	162,061	183,217	325,900	924,912	\$ 1,668,239
Receivables, Net:						
Other	2,568	39,581	-	-	-	42,149
<b>TOTAL ASSETS</b>	<b>\$ 74,717</b>	<b>201,642</b>	<b>183,217</b>	<b>325,900</b>	<b>924,912</b>	<b>\$ 1,710,388</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
TOTAL LIABILITIES	\$ -	-	-	-	-	\$ -
<b>FUND BALANCES</b>						
Restricted	74,717	201,642	183,217	325,900	924,912	1,710,388
TOTAL FUND BALANCES	74,717	201,642	183,217	325,900	924,912	1,710,388
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 74,717</b>	<b>201,642</b>	<b>183,217</b>	<b>325,900</b>	<b>924,912</b>	<b>\$ 1,710,388</b>

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

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

YEAR ENDED SEPTEMBER 30, 2016

	SPECIAL REVENUE FUNDS					TOTAL NON-MAJOR FUNDS
	NARCOTICS	LOCAL ACCOMMODATIONS TAX	FIRE IMPACT FEES	MUNICIPAL FACILITIES IMPACT FEES	PARKS & RECREATION IMPACT FEES	
<b>REVENUES</b>						
Taxes	\$ -	173,239	-	-	-	\$ 173,239
Fines, Fees, Licenses and Permits	-	-	183,137	325,755	924,512	1,433,404
Miscellaneous	16,146	-	-	-	-	16,146
Investment Earnings	91	89	80	145	400	805
<b>TOTAL REVENUES</b>	<b>16,237</b>	<b>173,328</b>	<b>183,217</b>	<b>325,900</b>	<b>924,912</b>	<b>1,623,594</b>
<b>EXPENDITURES</b>						
Current:						
Public Safety	23,132	-	-	-	-	23,132
<b>TOTAL EXPENDITURES</b>	<b>23,132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,132</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,895)</b>	<b>173,328</b>	<b>183,217</b>	<b>325,900</b>	<b>924,912</b>	<b>1,600,462</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	5,000	-	-	-	-	5,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(1,895)</b>	<b>173,328</b>	<b>183,217</b>	<b>325,900</b>	<b>924,912</b>	<b>1,605,462</b>
FUND BALANCES, Beginning of Year	76,612	28,314	-	-	-	104,926
<b>FUND BALANCES, End of Year</b>	<b>\$ 74,717</b>	<b>201,642</b>	<b>183,217</b>	<b>325,900</b>	<b>924,912</b>	<b>\$ 1,710,388</b>

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES - GROSS REVENUE FUND

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

YEAR ENDED SEPTEMBER 30, 2016

	GROSS REVENUE				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING REVENUES					
Water Revenue and Penalties	\$ 2,932,430	3,228,280	-	3,228,280	\$ 295,850
Sewer Revenues	2,738,850	2,898,950	-	2,898,950	160,100
York County Water Sales	-	163	-	163	163
Riverview Water Sales	162,450	212,952	-	212,952	50,502
Tega Cay Water Sales	458,460	259,178	-	259,178	(199,282)
Water Taps	725,274	1,619,720	-	1,619,720	894,446
Sewer Taps	789,600	1,750,160	-	1,750,160	960,560
Other Revenues	1,050	46,515	-	46,515	45,465
Fund Balance Appropriation	11,510,995	-	-	-	(11,510,995)
TOTAL OPERATING REVENUES	19,319,109	10,015,918	-	10,015,918	(9,303,191)
OPERATING EXPENSES					
Water:					
Water Purchases	920,000	1,379,654	-	1,379,654	(459,654)
Salaries	497,474	399,065	-	399,065	98,409
Fringe Benefits	168,598	134,014	-	134,014	34,584
Pension Expense	-	-	105,498	105,498	-
Material and Supplies	144,000	151,968	-	151,968	(7,968)
Electricity	5,000	3,634	-	3,634	1,366
Permits	15,547	15,645	-	15,645	(98)
Water Meter Replacement	70,000	103,539	-	103,539	(33,539)
Equipment Repairs	15,000	5,752	-	5,752	9,248
Postage	35,000	39,146	-	39,146	(4,146)
Gas, Oil, and Grease	23,000	12,595	-	12,595	10,405
Street Maintenance	100,000	109,153	-	109,153	(9,153)
Miscellaneous	1,000	472	-	472	528
Auto Repairs	10,000	2,670	-	2,670	7,330
Uniforms	9,750	8,444	-	8,444	1,306
Water and Heat	1,500	1,330	-	1,330	170
Telephone	19,140	13,410	-	13,410	5,730
Travel/Training	6,000	1,960	-	1,960	4,040
Transportation	25,000	21,639	(21,639)	-	3,361
Membership/Dues	2,367	2,694	-	2,694	(327)
Advertising	4,000	2,639	-	2,639	1,361
Professional Services	132,500	91,958	-	91,958	40,542
Hydrant Repairs	25,000	-	-	-	25,000
Pre-Employment Expense	500	454	-	454	46
Lease Agreement	5,100	-	-	-	5,100
Contracted Services	46,000	44,980	-	44,980	1,020
Building Maintenance	6,500	2,304	-	2,304	4,196
Service Contracts	4,640	2,250	-	2,250	2,390
Capital Outlay	3,287,000	792,886	(782,616)	10,270	2,494,114
	\$ 5,579,616	3,344,255	(698,757)	2,645,498	\$ 2,235,361

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES - GROSS REVENUE FUND

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

YEAR ENDED SEPTEMBER 30, 2016

		GROSS REVENUE			
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
<b>OPERATING EXPENSES (CONTINUED)</b>					
Sewer:					
Salaries	\$ 502,261	393,636	-	393,636	\$ 108,625
Fringe Benefits	191,852	141,844	-	141,844	50,008
Pension Expense	-	-	105,657	105,657	-
Electricity	90,000	77,834	-	77,834	12,166
Equipment Repairs	56,000	50,954	-	50,954	5,046
Material and Supplies	101,200	97,407	-	97,407	3,793
Electricity Lift Station	70,000	74,775	-	74,775	(4,775)
Alum	35,000	18,149	-	18,149	16,851
Professional Services	48,800	23,555	-	23,555	25,245
Contracted Services	105,000	63,670	-	63,670	41,330
Chemicals	36,000	23,520	-	23,520	12,480
Lab Supplies	5,000	2,815	-	2,815	2,185
Gas, Oil, and Grease	26,000	14,112	-	14,112	11,888
Natural Gas	300	163	-	163	137
Auto Repairs	11,200	6,038	-	6,038	5,162
Telephone	10,040	3,470	-	3,470	6,570
Uniforms	9,900	6,305	-	6,305	3,595
Travel/Training	8,400	5,524	-	5,524	2,876
Miscellaneous	2,012,059	726	-	726	2,011,333
Water and Heat	3,500	682	-	682	2,818
Building/Grounds Maintenance	11,000	3,795	-	3,795	7,205
Lime	9,000	17,729	-	17,729	(8,729)
Membership/Dues	2,683	598	-	598	2,085
Landfill Fees	87,000	72,992	-	72,992	14,008
Permits	3,500	2,805	-	2,805	695
Pump Station Repairs	90,000	81,812	-	81,812	8,188
York County Sewer Processing	-	8,795	-	8,795	(8,795)
Machinery and Equipment	169,500	30,938	(29,310)	1,628	138,562
Capital Outlay	8,235,995	-	-	-	8,235,995
Pump Station Monitoring	21,000	11,070	-	11,070	9,930
	<u>11,952,190</u>	<u>1,235,713</u>	<u>76,347</u>	<u>1,312,060</u>	<u>10,716,477</u>
Other Operating Expenses	40,000	34,118	-	34,118	5,882
Depreciation	-	-	938,504	938,504	-
TOTAL OPERATING EXPENSES	<u>17,571,806</u>	<u>4,614,086</u>	<u>316,094</u>	<u>4,930,180</u>	<u>12,957,720</u>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 1,747,303</b>	<b>5,401,832</b>	<b>(316,094)</b>	<b>5,085,738</b>	<b>\$ 3,654,529</b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES - GROSS REVENUE FUND

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

YEAR ENDED SEPTEMBER 30, 2016

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Insurance Proceeds from Casualty	\$ 12,548	14,100	-	14,100	\$ 1,552
Investment Earnings	6,400	24,710	-	24,710	18,310
Debt Service - Payments and Fiscal Charges	(1,119,942)	(1,599,810)	886,356	(713,454)	(479,868)
Tega Cay Water Line Payment	20,000	-	-	-	(20,000)
Gain (Loss) on Sale of Capital Assets	-	3,000	-	3,000	3,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,080,994)	(1,558,000)	886,356	(671,644)	(477,006)
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTION</b>	<b>666,309</b>	<b>3,843,832</b>	<b>570,262</b>	<b>4,414,094</b>	<b>3,177,523</b>
Capital Contributions - Donated Infrastructure	-	-	2,665,467	2,665,467	-
Transfers Out	(666,309)	(552,220)	-	(552,220)	114,089
<b>CHANGES IN NET POSITIONS</b>	<b>-</b>	<b>3,291,612</b>	<b>3,235,729</b>	<b>6,527,341</b>	<b>3,291,612</b>
NET POSITIONS, Beginning of Year	20,033,733	20,033,733	-	20,033,733	-
<b>NET POSITIONS, End of Year</b>	<b>\$ 20,033,733</b>	<b>23,325,345</b>	<b>3,235,729</b>	<b>26,561,074</b>	<b>\$ 3,291,612</b>

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

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

- Depreciation Expense	\$ (938,504)
- Capital Asset Additions	833,565
- Donated Capital Assets (Infrastructure)	2,665,467
- Principal Payments on Debt and Capital Leases	886,356
- Pension Expense - Net Change in NPL and Related Items	(211,155)
Total GAAP Adjustments	<u>\$ 3,235,729</u>



**TOWN OF FORT MILL, SOUTH CAROLINA**

**SUPPLEMENTARY INFORMATION - OTHER SCHEDULES**

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

**YEAR ENDED SEPTEMBER 30, 2016**

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**Court Fines, Assessments, and Surcharges**

Court Fines, Assessments, and Surcharges Collected	\$	223,486
Court Fines, Assessments, and Surcharges Retained by the Town		(95,556)
<b>Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer</b>	<b>\$</b>	<b>127,930</b>

**Victim Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	\$	-
Court Assessments Allocated to Victim Assistance Fund		12,044
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(12,044)
<b>Funds Available for Carryforward, End of Year</b>	<b>\$</b>	<b>-</b>

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 15, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-001, that we consider to be a material weakness.

**Compliance and Other Matters**

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

### **Town's Response to the Finding**

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

### **Purpose of this Report**

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



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
March 15, 2017

**TOWN OF FORT MILL, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED SEPTEMBER 30, 2016**

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**2016-001: BANK RECONCILIATIONS**

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

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

**Cause:** The Town has grown significantly over the past several years and it appears that the Finance department is under-staffed.

**Effect:** Several general ledger accounts had to be adjusted when the bank reconciliations were completed for the Town's FY 2016 financial audit.

**Recommendation:** We would recommend that the Town review the responsibilities within the finance department and make sure that the bank reconciliation process be allocated to appropriate parties and prioritized and completed on a monthly basis.

**Response:** The Town is working to remedy the issue noted above. The position in the Finance Department has been filled. This will help spread out the work and allow for more timely completion of the bank reconciliations.