

TAYLORS FIRE AND SEWER DISTRICT

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

TAYLORS FIRE AND SEWER DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net assets	13
Statement of activities	14
Fund financial statements	
Balance sheet – governmental funds	15
Reconciliation of total governmental fund balances to net assets of governmental activities	16
Statement of revenues, expenditures and changes in fund balances – governmental funds	17
Reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	18
Notes to financial statements	19 - 36
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund	37
OTHER SUPPLEMENTAL INFORMATION	
1 - Schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund – fire department	38
2 - Schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund – sewer department	39
INDEPENDENT AUDITOR'S 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	40 - 41



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Taylors Fire and Sewer District
Taylors, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Taylors Fire and Sewer District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Taylors Fire and Sewer District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Taylors Fire and Sewer District, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 37, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of revenues, expenditures and changes in fund balance – budget and actual – fire department and sewer department, listed in the table of contents as supplemental information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

Elliott Davis, LLC

Greenville, South Carolina
October 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TAYLORS FIRE AND SEWER DISTRICT
TAYLORS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Taylors Fire and Sewer District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to present the District's financial performance as a whole; readers should also review the basic financial statements, the notes to the basic financial statements and the supplemental schedules to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- On the government-wide basic financial statements, the assets of the District exceeded its liabilities at June 30, 2012 by \$12,876,000. Of this amount, \$5,212,000 may be used to meet the District's ongoing obligations to citizens and creditors.
- On the government-wide basic financial statements, the total net assets of the District increased by \$873,000, as revenues of \$5,452,000 exceeded expenses of \$4,579,000.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,448,000, an increase of \$860,000 from the prior year-ending fund balance. Approximately 83% of the total fund balance, or \$4,517,000, is unassigned and thus available for spending at the government's discretion. The unassigned fund balance represents approximately 101% of total General Fund expenditures of the current fiscal year.
- The District's net capital assets increased by approximately \$17,000 (<1%) during the current fiscal year, as additions of \$798,000 exceeded depreciation expense of \$781,000.
- The District's long-term obligations increased by \$41,000 (1%) during the current fiscal year due primarily to the issuance of a capital lease for a new Vac-con sewer truck.
- The District's governmental fund revenues were \$5,373,000 for 2012, compared to \$5,370,000 in the prior year. The composition of revenues was also similar to the prior fiscal year.
- The District's governmental fund expenditures were \$4,885,000 for 2012, compared to \$5,564,000 in the prior year. The decrease of \$679,000 was primarily due to a \$1,161,000 decrease in capital outlay from the prior year, which included the purchase of two fire engines and major sewer capital projects. The overall decrease was offset by increases in the operating expenditures of the fire and sewer departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following parts: the Financial Section (which includes management's discussion and analysis, the basic financial statements, the notes to the basic financial statements, and the supplementary information) and the Compliance Section.

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-wide basic financial statements

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are government-wide basic financial statements that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide basic financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions (if any) that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District does not have any business-type activities but its governmental activities include fire and sewer services. The government-wide basic financial statements can be found as listed in the table of contents.

Fund basic financial statements

The remaining basic financial statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. There are three categories of funds that are typically used by state and local governments: governmental funds, proprietary funds, and fiduciary funds. The District utilizes only governmental funds in reporting the operations of the District.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide basic financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements.

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund basic financial statements, continued

By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund all of which are considered to be major funds. The governmental fund basic financial statements can be found as listed in the table of contents.

Notes to the basic financial statements

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

Other information

The District adopts an annual appropriated budget for its General Fund which consists of two departments: fire and sewer. A budgetary comparison schedule has been provided as required supplementary information for the General Fund. In addition, revised budget to actual comparisons have also been provided as supplementary information for the fire and sewer departments of the General Fund. These schedules can be found as listed in the table of contents.

Figure 1

Major features of the District’s government-wide and basic fund financial statements

	Government-Wide Basic Financial Statements	Basic Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the district that are governmental in nature
Required financial statements	Statement of Net Assets Statements of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon, thereafter, no capital assets included
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 payments is due during the year or soon thereafter

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$12,876,000 and \$12,003,000 at the close of the most recent fiscal years. Table 1 provides a summary of the District's net assets for its governmental activities at June 30, 2012 and 2011:

Table 1
Net assets

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 5,735,000	\$ 4,808,000
Capital assets, net	<u>10,545,000</u>	<u>10,525,000</u>
Total assets	<u>\$ 16,280,000</u>	<u>\$ 15,333,000</u>
Liabilities		
Current liabilities	\$ 873,000	\$ 646,000
Long-term liabilities	<u>2,531,000</u>	<u>2,684,000</u>
Total liabilities	<u>\$ 3,404,000</u>	<u>\$ 3,330,000</u>
Net assets		
Invested in capital assets, net of related debt	\$ 7,541,000	\$ 7,880,000
Restricted	123,000	139,000
Unrestricted	<u>5,212,000</u>	<u>3,984,000</u>
Total net assets	<u>\$ 12,876,000</u>	<u>\$ 12,003,000</u>

The District's total assets at June 30, 2012 increased by \$947,000 from the prior year, primarily due to an increase in capital assets related to the purchase of a new Vac-con sewer truck and the completion of a major sewer project (Highway 290). Total liabilities at June 30, 2012 increased by \$74,000 due to an additional capital lease for the Vac-con sewer truck and increase in accounts payable and accrued expenses.

The District's net assets increased by \$873,000 as revenues exceeded expenses. See discussion following Table 2 regarding this increase.

Total assets exceeded total liabilities (net assets) by \$12,876,000 at the end of the year. The largest portion of the District's net assets (59%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) net of any related outstanding debt (including capital leases) used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any outstanding debt must be provided from other sources, since the capital assets themselves (generally) cannot be used to settle these liabilities.

The District has \$123,000 (1%) restricted for the payment of debt service with the remaining balance being unrestricted net assets of \$5,212,000 (40%) which may be used to meet the ongoing obligations to citizens and creditors.

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Table 2 shows the changes in net assets for the District for 2012 and 2011:

Table 2
Changes in net assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 300,000	\$ 312,000
Capital grants and contributions	-	41,000
General revenues:		
Property taxes	5,041,000	4,881,000
Other	<u>111,000</u>	<u>67,000</u>
Total revenues	<u>5,452,000</u>	<u>5,301,000</u>
Program expenses		
Fire department	2,845,000	2,960,000
Sewer department	1,633,000	1,263,000
Interest and fiscal charges	<u>101,000</u>	<u>80,000</u>
Total program expenses	<u>4,579,000</u>	<u>4,303,000</u>
Change in net assets	873,000	998,000
Net assets, beginning of year	<u>12,003,000</u>	<u>11,005,000</u>
Net assets, end of year	<u>\$ 12,876,000</u>	<u>\$ 12,003,000</u>

Governmental activities

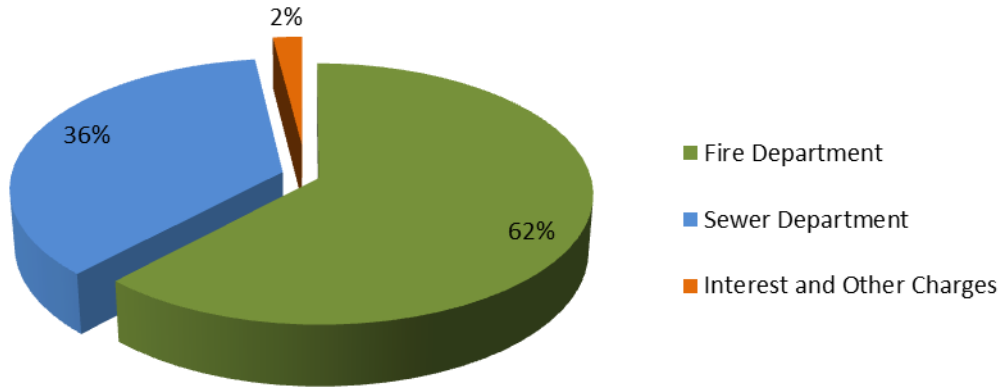
The District's net assets increased during 2012 by \$873,000, as revenues of \$5,452,000 exceeded expenses of \$4,579,000. This increase was \$125,000 less than the prior year increase of \$998,000. Key elements of this change were as follows:

- Revenues increased by \$151,000 (3%) from the prior year. This increase was due to an increase in property taxes collected. Though there were no contributed sewer lines or capital grants received during the year, there was an offsetting increase in other revenues (investment earnings, and miscellaneous revenues). The increase in property taxes of \$160,000 was primarily due to a millage increase, but also improved collections of the taxes levied.
- Expenses increased by \$276,000 (6%) from the prior year. This increase was primarily driven by maintenance and rehab projects in the sewer department. Interest expense also contributed to the increase due to the initial lease payments on the two fire engines purchased during the prior fiscal year.

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Figure 2
Program Expenses by Function
Governmental Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds

The analysis of governmental funds serves the purpose of determining available fund resources, how they were spent and what is available for future expenditures. The District's Major Funds include the General Fund, the Debt Service Fund, and the Capital Projects Fund.

For the year ended June 30, 2012, the District's governmental funds reported a combined fund balance of \$5,448,000 as compared to the prior year amount of \$4,587,000. At June 30, 2012, the District's unassigned fund balance for all governmental funds was \$4,517,000, which represents only the General Fund. The District has committed fund balance of \$561,000 for capital assets, facility improvements and sewer projects. The District has restricted fund balances of \$126,000 for debt service, \$126,000 for capital projects and \$66,000 for reserve millage. The District also has nonspendable fund balance of \$53,000 for prepaid items. The fund balance for the District's General Fund increased by \$1,048,000 or 25% during the current fiscal year, as revenues and proceeds from capital leases of \$6,303,000 exceeded expenses and debt retirement of \$5,255,000, as previously discussed.

The Debt Service Fund is shown in the accompanying basic financial statements of the District. This fund is used to account for debt service related to the State Revolving Fund Loan. The District's Debt Service Fund balance decreased in fiscal 2012 by \$13,000 to \$126,000, as principal and interest payments, and refinancing costs of the outstanding principal of \$1,238,000 exceeded property tax revenues, debt issues and investment earnings of \$1,225,000. The entire fund balance is reserved for the repayment of this loan.

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, Continued

General Fund budgetary highlights

The District'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 only budgeted fund is the General Fund. There were no budget revisions during the course of fiscal year 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of 2012 and 2011, the District had net capital assets of approximately \$10,519,000 and \$10,502,000, respectively, as detailed in Table 3:

Table 3
Capital Assets, Net of Depreciation

<u>Capital assets</u>	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 304,000	\$ 304,000
Construction in progress	-	196,000
Buildings and building improvements	1,652,000	1,669,000
Vehicles	1,289,000	1,301,000
Equipment	294,000	315,000
Infrastructure	<u>6,980,000</u>	<u>6,717,000</u>
Totals	<u>\$ 10,519,000</u>	<u>\$ 10,502,000</u>

The net increase in the District's net capital assets was \$17,000, or less than 1%. Major capital asset events during the current fiscal year included:

- Sewer line infrastructure improvements of \$450,000.
- Sewer equipment and vehicle purchases of \$315,000.
- Building and office improvements of \$33,000.
- Depreciation expense of \$781,000.
- Disposal of fire and sewer department assets of \$249,000.

For more detailed information about the District's capital assets, see the notes to the basic financial statements.

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

Debt Administration

At the end of 2012 and 2011, the District had outstanding debt (State Revolving Fund Loan, capital leases and sewer revenue bonds) of \$2,978,000 and \$2,943,000 respectively. During 2012, the District made principal and interest payments of \$1,939,000 and \$116,000, respectively. For 2012, the payment amounts include repayment of revenue bonds and a capital lease through the issuance of refunding bonds and execution of a new capital lease.

<u>Long-Term Debt</u>	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Capital leases	\$ 1,838,000	\$ 1,608,000
State Revolving Loan Fund	226,000	370,000
Sewer Revenue Bonds	<u>914,000</u>	<u>965,000</u>
	<u>\$ 2,978,000</u>	<u>\$ 2,943,000</u>

The State limits the amount of general obligation debt that a district can issue to 8% of the assessed value of all taxable property within the District's corporate limits.

The District had other long-term obligations outstanding at year end which consisted of compensated absence liabilities. For more detailed information on all of the District's long-term obligations, see the notes to the basic financial statements.

ECONOMIC FACTORS

Taylor's Fire and Sewer District, with a land/service area of approximately 15 square miles, is located near Greenville, South Carolina.

The District is in a growing metropolitan statistical area. However, as a result of the recent recession, the economy of the area has slowed and growth of the tax base in the District has slowed. Notwithstanding, the District expects to continue to experience growth in its demand for services from its citizens and anticipates being able to increase property tax revenues accordingly.

FISCAL YEAR 2011-2012 BUDGET

Many factors were considered by the District's administration during the process of developing the fiscal year 2011-2012 budget. The District's top two goals were to balance the budget by continuing to finance growth within the District as it occurs, and to increase the liquid reserves of the Fire Department.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Chairperson of the District's Board of Commissioners at (864) 244-5596.

FINANCIAL STATEMENTS

**TAYLORS FIRE AND SEWER DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,338,648
Investments	43,166
Investments held by county treasurer	100,248
Property taxes receivable, net	139,202
Due from county treasurer	59,870
Interest receivable	455
Prepaid items	53,150
	5,734,739
Total current assets	5,734,739

OTHER ASSETS

Bond issue costs, net	25,771
Nondepreciable capital assets	304,000
Depreciable capital assets, net	10,215,050
	10,544,821
Total noncurrent assets	10,544,821
Total assets	\$ 16,279,560

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 260,016
Accrued interest	33,755
Current portion of long term payables	209,713
Current portion of capital leases payable	253,249
Current portion of compensated absences	116,113
	872,846
Total current liabilities	872,846

LONG TERM LIABILITIES

Total liabilities	2,530,712
	3,403,558

NET ASSETS

Invested in capital assets, net of related debt	7,541,556
Restricted for:	
Debt service	122,548
Unrestricted	5,211,898
	5,211,898
Total net assets	\$ 12,876,002

The accompanying notes are an integral part of these financial statements.

TAYLORS FIRE AND SEWER DISTRICT
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

	Program revenues				Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	
					Governmental activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
Fire department	\$ 2,844,928	\$ 2,794	\$ -	\$ -	\$ (2,842,134)	\$ (2,842,134)
Sewer department	1,632,604	297,357	-	-	(1,335,247)	(1,335,247)
Interest expense	101,089	-	-	-	(101,089)	(101,089)
Total governmental activities	<u>\$ 4,578,621</u>	<u>\$ 300,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,278,470)</u>	<u>(4,278,470)</u>

GENERAL REVENUES

Property taxes levied for:

General purposes	4,896,501	4,896,501
Debt purposes	143,785	143,785
Investment earnings	50,103	50,103
Miscellaneous income	2,510	2,510
Gain from sale of capital assets	58,551	58,551
Total general revenues	<u>5,151,450</u>	<u>5,151,450</u>
Change in net assets	872,980	872,980
Net assets beginning of year	12,003,022	12,003,022
Net assets end of year	<u>\$ 12,876,002</u>	<u>\$ 12,876,002</u>

The accompanying notes are an integral part of these financial statements.

**TAYLORS FIRE AND SEWER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General fund</u>	<u>Debt service fund</u>	<u>Capital projects fund</u>	<u>Total governmental funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,184,212	\$ 22,294	\$ 132,142	\$ 5,338,648
Investments	43,166	-	-	43,166
Investments held by county treasurer	-	100,248	-	100,248
Property taxes receivable, net	135,163	4,039	-	139,202
Due from county treasurer	59,870	-	-	59,870
Due from other funds	6,250	-	-	6,250
Prepaid items	53,150	-	-	53,150
Total assets	<u>5,481,811</u>	<u>126,581</u>	<u>132,142</u>	<u>5,740,534</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	87,997	-	-	87,997
Accrued expenses	135,593	-	-	135,593
Due to other funds	-	-	6,250	6,250
Refundable deposits	26,826	-	-	26,826
Deferred revenue	35,087	1,023	-	36,110
Total liabilities	<u>285,503</u>	<u>1,023</u>	<u>6,250</u>	<u>292,776</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	53,150	-	-	53,150
Restricted for:				
Reserve millage	65,529	-	-	65,529
Debt service	-	125,558	-	125,558
Capital projects	-	-	125,892	125,892
Committed for:				
Sewer projects	487,696	-	-	487,696
Facility improvements	43,166	-	-	43,166
Capital assets	30,208	-	-	30,208
Unassigned	4,516,559	-	-	4,516,559
Total fund balances	<u>5,196,308</u>	<u>125,558</u>	<u>125,892</u>	<u>5,447,758</u>
Total liabilities and fund balances	<u>\$ 5,481,811</u>	<u>\$ 126,581</u>	<u>\$ 132,142</u>	<u>\$ 5,740,534</u>

The accompanying notes are an integral part of these financial statements.

TAYLORS FIRE AND SEWER DISTRICT
RECONCILIATION OF TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental funds - fund balance		\$ 5,447,758
 Amounts reported for governmental activities in the statement of net assets are different because of the following:		
Certain assets are not available to pay for current year expenditures and, therefore, are deferred in the funds:		
Property taxes receivable	\$ 36,110	
Interest receivable	<u>455</u>	36,565
 Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	22,214,696	
Accumulated depreciation	<u>(11,695,646)</u>	10,519,050
 Bond issuance costs are amortized over the lives of the bonds; however, in governmental funds, bond issuance costs are expenditures the year they are incurred.		
Bond issuance costs	27,350	
Accumulated amortization expense	<u>(1,579)</u>	25,771
 Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when it is due. This amount represents the amount of interest due but unpaid at year-end.		
		(33,755)
 Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of the following:		
Long-term debt (including capital leases)	(2,977,494)	
Compensated absences	<u>(132,293)</u>	(3,109,787)
 Other accrual adjustments that do not require current financial resources and, therefore, are not reported in the fund statements:		
Other current liabilities (use tax payable)		<u>(9,600)</u>
Net assets - governmental activities		<u><u>\$ 12,876,002</u></u>

The accompanying notes are an integral part of these financial statements.

**TAYLORS FIRE AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended June 30, 2012**

	General fund	Debt service fund	Capital projects fund	Total governmental funds
REVENUES				
Property taxes	\$ 4,874,674	\$ 143,082	\$ -	\$ 5,017,756
Fees	300,151	-	-	300,151
Investment earnings	51,102	1,294	28	52,424
Other	2,510	-	-	2,510
Total revenues	<u>5,228,437</u>	<u>144,376</u>	<u>28</u>	<u>5,372,841</u>
EXPENDITURES				
Fire department	2,832,806	-	-	2,832,806
Sewer department	1,159,103	-	-	1,159,103
Capital outlay	328,147	-	173,871	502,018
Debt service:				
Principal	76,406	197,933	-	274,339
Interest	56,000	60,438	-	116,438
Total expenditures	<u>4,452,462</u>	<u>258,371</u>	<u>173,871</u>	<u>4,884,704</u>
Excess (deficiency) of revenues over expenditures	<u>775,975</u>	<u>(113,995)</u>	<u>(173,843)</u>	<u>488,137</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	59,260	-	-	59,260
Capital lease	303,275	-	-	303,275
Refunding capital lease	712,000	-	-	712,000
Refunding bonds issued	-	990,000	-	990,000
Payment to retire revenue bonds	-	(965,000)	-	(965,000)
Payment to retire capital lease refinanced	(700,000)	-	-	(700,000)
Capital lease financing fees	(12,000)	-	-	(12,000)
Bond issuance costs	-	(15,350)	-	(15,350)
Transfers from other funds	-	90,987	-	90,987
Transfers to other funds	(90,987)	-	-	(90,987)
Total other financing sources	<u>271,548</u>	<u>100,637</u>	<u>-</u>	<u>372,185</u>
Net change in fund balances	1,047,523	(13,358)	(173,843)	860,322
Fund balances at beginning of year	4,148,785	138,916	299,735	4,587,436
Fund balances at end of year	<u><u>\$ 5,196,308</u></u>	<u><u>\$ 125,558</u></u>	<u><u>\$ 125,892</u></u>	<u><u>\$ 5,447,758</u></u>

The accompanying notes are an integral part of these financial statements.

TAYLORS FIRE AND SEWER DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

Net change in fund balances - total governmental funds		\$	860,322
Amounts reported for governmental activities in the statement of activities are different because of the following:			
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This amount represents the change in:			
Deferred revenue	\$	22,530	
Interest receivable		<u>(2,321)</u>	20,209
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.			
Capital asset additions (including capitalized interest of \$17,184)		798,318	
Depreciation expense		<u>(780,685)</u>	17,633
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in the fund balance by the undepreciated cost of the capital assets sold.			
			(709)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
			13,681
Bond issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the statement of activities.			
Bond issuance costs		15,350	
Capital lease financing costs		12,000	
Amortization expense		<u>(3,182)</u>	24,168
The issuance of long term debt and entering into capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Proceeds from revenue bond		(990,000)	
Proceeds from capital lease		(1,015,275)	
Repayment of long term debt		1,162,933	
Repayment of leases payable		<u>776,406</u>	(65,936)
Interest on long term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due and payable, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable.			
			<u>3,612</u>
Change in net assets		\$	<u><u>872,980</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**TAYLORS FIRE AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Reporting entity

Taylors Fire and Sewer District (the "District") is a special purpose district created in 1958 by the South Carolina legislature to provide fire and sewer services to residents of a specified geographical district with boundaries of Greenville County in South Carolina. The District operates under a commission form of government.

The basic financial statements of the District 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.

As required by GAAP, the basic financial statements present the District's financial information with its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity as a component unit is financial accountability, which is presumed to exist if the District both appoints a voting majority of the entity's governing body, and either 1) the District 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 District. 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 District. In order to be considered fiscally independent, an entity must have the authority to do all three of the following: (a) Determine its budget without the District having the authority to approve or modify that budget; (b) Levy taxes or set rates or charges without approval by the District; and (c) Issue bonded debt without approval by the District.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the District's basic financial statements to be misleading or incomplete. 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. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the District.

Based on the foregoing criteria, the District does not have any component units.

Measurement focus, basis of accounting, and basis of presentation

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District (the primary government). Any significant interfund activity has been removed from these statements.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

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 District.

The **government-wide basic financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as would Proprietary Fund and Fiduciary Fund basic financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

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

The **governmental fund basic financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers 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 payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash has been received by the government.

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, 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. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following major funds and fund types are used by the District.

Governmental fund types are those through which all of the governmental functions of the District are financed. The District's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the District's major governmental funds:

The **General Fund, a major fund**, is the general operating fund of the District and accounts for all revenues and expenditures of the District except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use.

The **Debt Service Fund, a major fund**, is used to account for the accumulation of resources for and the payment of all principal and interest related to outstanding long-term obligations, excluding capital leases.

The **Capital Projects Fund, a major fund**, is used to account for financial resources used for the acquisition, construction, or renovation of major capital facilities or equipment.

Budgetary information

Budgetary Practices – The budget is presented in the required supplementary section of the financial statements for the General Fund.

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.

Prior to July 1 each year, the Board of Commissioners adopts an annual budget ordinance for the General Fund, which is adopted on an encumbrance basis. At the end of the fiscal year, unencumbered balances of appropriations lapse into the unappropriated fund balance of the General Fund. The presented budgetary information is as originally adopted and as amended by the Board of Commissioners. During the current year, the District did not have any amendments to the original appropriations which were adopted. The schedule of revenues, expenditures, and changes in fund balance - budgets and actual – contains the original budget and the revised budget.

The District does not adopt a budget for the Debt Service Fund as the provisions of the bond indentures provide adequate control.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Budgetary information, continued

The District does not adopt a budget for the Capital Projects Service Fund as the funds are subject to the individual project expenditures determined by the cost of the project together with the requirements for external borrowings used to fund a particular project rather than annual appropriations. These budgets, when established, do not lapse at year end and are carried over to the completion of the project.

Cash and cash equivalents

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the South Carolina Local Government Investment Pool ("Pool") are reported as investments.

Investments

The District'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 District to invest in the following:

- (1) Obligations of the United States of America and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and loan associations to the extent that the same are insured by an agency of the federal government;
- (4) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts 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;
- (5) Collateralized repurchase agreements when collateralized by securities as set forth in (1) and (2) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (6) 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 (1), (2), and (5) 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 District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash, cash equivalents and investments at fair value which is normally determined by quoted market prices.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

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

- Cash and investments held by the Greenville County Treasurer are property taxes collected by the District's fiscal agent that have not been remitted to the District. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the fund and are paid out by the County Treasurer to the respective governments on a periodic basis.
- Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.
- Certificates of Deposit ("CD") are investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time with interest paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.

Receivables and payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." On fund basic financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

All property taxes receivable are shown net of an allowance for uncollectible amounts.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Bond issuance costs

Bond issue costs, including insurance costs, underwriting fees and feasibility study costs, are amortized over the life of the respective bond using a method approximating the interest method.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Capital assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for equipment and vehicles. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Any interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets.

Governmental activities depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings	30 years
Building improvements	10 – 20 years
Sewer lines (infrastructure)	40 years
Sewer line improvements	10 – 20 years
Vehicles	8 – 10 years
Machinery and equipment	5 – 10 years

Refundable deposits

Developers are required to post a deposit with the District before they are granted permits for sewer line development. The deposit is used to pay expenses which include attorney fees for recording sewer line easements, costs for recording right-of-way, and recording of plats. Any unused amounts after the project is complete are refunded to the developer.

Compensated absences

District employees are granted vacation and sick leave in varying amounts (as defined). In addition, sewer employees can accrue comp time. The District's general leave policy allows employees to carry over up to one week of unused vacation leave from year to year. Upon termination of employment, an employee is reimbursed for the current year's accumulated vacation days. Unused sick leave is not reimbursed at termination but will be reimbursed if the employee retires or becomes disabled (at a set percentage of the normal sick leave amount).

The District reports compensated absences in accordance with GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide basic financial statements. The governmental funds will only recognize compensated absences for amounts that have matured, for example, as a result of disability notifications, retirements, and terminations that occurred prior to year end that are expected to be paid within a short time subsequent to year end, if they are material.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether they will be liquidated with current resources. However, long-term obligations, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability only when due and payable.

Expenditures over appropriations

The Commissioners (governing authority) approved the expenditures in excess of the original budget, but the budget was not amended / revised to reflect these approved expenditures.

Interfund transactions

Transfers recorded by General Fund and Debt Service Fund relate to debt repayment.

Fund balance

Effective July 1, 2010, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental type definitions. The District has evaluated the use of its Debt Service and Capital Projects Funds under the criteria set forth in GASB Statement No. 54 and has determined that there is no change needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Commissioners of the Taylors Fire and Sewer District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Assigned Fund Balance – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners of the Taylors Fire and Sewer District or (b) an official (a director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also included all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed.

Unassigned Fund Balance – this residual classification is used for all negative fund balances. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements

In November of 2010, the GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the provisions are to be applied retroactively for all periods presented. Management has not determined the impact of implementing the provisions of this Statement.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Recent accounting pronouncements, continued

In November of 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Management has not determined the impact of implementing the provisions of this Statement.

In December of 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Management does not expect the implementation of this Statement to materially impact the financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, to provide reporting guidance for deferred outflows and inflows of resources. The District's management has not yet determined the impact of implementation of the standard, which is required July 1, 2012, on the District's financial statements, if any.

In June of 2011, the GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No.53. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement were effective for financial statements for periods beginning after June 15, 2011. Implementation of this Standard did not have an impact on the financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Recent accounting pronouncements, continued

In April 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, to clarify the appropriate reporting of deferred out flows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the impact of implementation of the standard on the financial statements.

In June 2012, the GASB approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 will require governments with defined benefit pension plans to disclose a net pension liability on their balance sheets. Statement No. 68 is effective for fiscal years beginning after June 15, 2014. Management has not yet determined the impact of implementation of the standard on the District's financial statements.

Other accounting standards that have been issued or proposed by the GASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

Subsequent events

In preparing these financial statements, the District's management has evaluated events and transactions for potential recognition or disclosure through October 31, 2012, the date the financial statements were available for issuance.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following are the components of the District's cash and investments at June 30, 2012:

Cash	\$ 135,081
Money market funds	<u>5,203,567</u>
Cash and cash equivalents	5,338,648
Investments (including held by County Treasurer)	<u>143,414</u>
	<u>\$ 5,482,062</u>

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Investment maturities (in years)</u>	
	<u>Fair value</u>	<u>Less than 1</u>
Certificates of deposit	\$ 43,166	\$ 43,166
Cash and investments held by the Greenville County Treasurer	<u>100,248</u>	<u>100,248</u>
	<u>\$ 143,414</u>	<u>\$ 143,414</u>

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS, Continued

Interest rate risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates but they do follow the investment policy statutes of the State of South Carolina.

Credit risk

State statutes authorize the District to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the state of South Carolina and its subdivisions, financial institutions to the extent of federal insurance, certificates of deposit collaterally secured, and repurchase agreements secured by the foregoing obligations. The District has no investment policy that further limits its investment choices.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, credit risk, concentration risk, and interest rate risk, of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of SC.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a failure of a bank or counterparty, the District will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. At June 30, 2012, none of the District's bank balances of \$5,415,643 (which has a carrying value of \$5,381,814) were exposed to custodial credit risk.

The District does not typically buy security investments and thus has not developed a policy for credit risk, custodial credit risk, or concentration of credit risk for these types of investments.

NOTE 3 - PROPERTY TAXES AND OTHER RECEIVABLES

Greenville County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet its funding obligation for the District. This obligation is established each year by the Greenville County Council and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Property taxes were levied and billed by the County on real and business personal properties on October 1, 2011, based on an assessed value of approximately \$64.8 million at rates of 46.4 mills, 18.5 mills, and 1.9 mills for the General Fund – Fire Department, General Fund – Sewer Department and Debt Service Fund, respectively. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	-	3% of tax
February 2 through March 15	-	10% of tax
After March 15	-	15 % of tax plus collection costs

(Continued)

NOTE 3 - PROPERTY TAXES AND OTHER RECEIVABLES, Continued

Current year real and business personal taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

The District has recorded uncollected, delinquent property taxes at June 30, 2012 of \$135,163 and \$4,039 for the General Fund and Debt Service Fund, respectively (net of allowances for uncollectible portion of \$377,950 and \$13,965, respectively). Estimated delinquent property taxes of \$100,076 in the General Fund and \$3,016 in the Debt Service Fund have been recognized as revenue at June 30, 2012 because it will be collected within 60 days of year end and will be received by the District or its fiscal agent (the County). The remaining delinquent property tax receivable of \$35,087 for the General Fund and \$1,023 for the Debt Service Fund has been recorded by the District as deferred revenue at June 30, 2012 on the governmental fund basic financial statements because they will not be collected within 60 days after year end and are thus not considered available for accrual.

Allowances for uncollectible amounts were not necessary for any other receivable accounts.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 304,000	\$ -	\$ -	\$ 304,000
Construction in progress	<u>196,586</u>	<u>173,872</u>	<u>(370,458)</u>	<u>-</u>
Total capital assets not being depreciated	<u>500,586</u>	<u>173,872</u>	<u>(370,458)</u>	<u>304,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,563,823	33,568	-	2,597,391
Vehicles	3,370,667	303,275	(239,381)	3,434,561
Equipment	1,021,127	11,663	(10,008)	1,022,782
Infrastructure	<u>14,209,564</u>	<u>646,398</u>	<u>-</u>	<u>14,855,962</u>
Total capital assets being depreciated	21,165,181	994,904	(249,389)	21,910,696
Less accumulated depreciation	<u>(11,163,641)</u>	<u>(780,685)</u>	<u>248,680</u>	<u>(11,695,646)</u>
Total capital assets being depreciated, net	<u>10,001,540</u>	<u>214,219</u>	<u>(709)</u>	<u>10,215,050</u>
Total governmental activities capital assets, net	<u>\$ 10,502,126</u>	<u>\$ 388,091</u>	<u>\$ (371,167)</u>	<u>\$ 10,519,050</u>

(Continued)

NOTE 4 - CAPITAL ASSETS, Continued

During the year ended June 30, 2012, the District did not record any sewer infrastructure that was contributed by developers.

Depreciation expense was charged to the departments of the District as follows:

Fire department	\$ 289,912
Sewer department	<u>490,773</u>
Total depreciation expense – governmental activities	<u>\$ 780,685</u>

Included in the above totals is equipment under capital leases as follows at June 30, 2012 (see Note 6).

Capitalized cost	\$ 2,137,632
Less accumulated depreciation	<u>(259,068)</u>
	<u>\$ 1,878,564</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The significant components of accounts payable and accrued expenses at June 30, 2012 consisted of the following:

Governmental activities:	
Accounts payable	\$ 97,596
Accrued salaries and fringe benefits	135,594
Refundable deposits	<u>26,826</u>
Total accounts payable and accrued expenses – governmental activities	<u>\$ 260,016</u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term debt and compensated absences for the year ending June 30, 2012 are as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending balance</u>	<u>Due within one year</u>
Capital leases					
Capital lease - 2007	\$ 755,000	\$ -	\$ 755,000	\$ -	\$ -
Capital lease - 2007 refunded	-	712,000	-	712,000	67,000
Capital lease - 2010	125,000	-	21,406	103,594	23,324
Capital lease - 2011	718,630	-	-	718,630	63,616
Capital lease - 2012	-	303,275	-	303,275	99,309
Total capital leases	<u>1,598,630</u>	<u>1,015,275</u>	<u>776,406</u>	<u>1,837,499</u>	<u>253,249</u>
Revenue bonds					
Series 2010	965,000	-	965,000	-	-
Series 2011	-	990,000	55,000	935,000	60,000
Total revenue bonds	965,000	990,000	1,020,000	935,000	60,000
Deferred gain on refunding	-	(20,844)	-	(20,844)	-
Net revenue bonds	<u>965,000</u>	<u>969,156</u>	<u>1,020,000</u>	<u>914,156</u>	<u>60,000</u>
State revolving fund loan	<u>369,535</u>	-	<u>143,696</u>	<u>225,839</u>	<u>149,713</u>
Compensated absences	<u>135,973</u>	<u>53,807</u>	<u>57,487</u>	<u>132,293</u>	<u>116,113</u>
	<u>\$ 3,069,138</u>	<u>\$ 2,038,238</u>	<u>\$ 1,997,589</u>	<u>\$ 3,109,787</u>	<u>\$ 579,075</u>

The state revolving fund loan consists of a South Carolina water pollution control revolving fund loan that originated March 1, 1994 in the amount of \$2,102,580, at an original interest rate of 4.25%. The interest rate was amended on April 30, 2012 to 2.25%. Proceeds were used for the construction of sewer lines. Payments consist of 73 quarterly installments of \$39,147 beginning March 1, 1994, and ending March 1, 2012, and 7 quarterly installments of \$38,384 beginning June 1, 2012, and ending December 1, 2013. The principal amount outstanding at June 30, 2012, is \$225,839.

The revenue bond consists of a sewer system revenue bond that originated June 14, 2010 in the amount of \$1,000,000 with a term of 15 years at 4.23% interest. The proceeds were used for construction and repairing of sewer lines. The revenue bond was refunded on December 15, 2011, in the amount of \$990,000. Principal payments consist of 14 annual installments ranging from \$55,000, beginning April 1, 2012, to \$90,000 ending April 1, 2025. Interest payments at 3.12% are made semi-annually. The principal amount outstanding of the new debt at June 30, 2012 is \$935,000; the old debt was defeased and is no longer outstanding. The cash flow needed to service the new debt, after issuance costs of the new debt, is approximately \$61,900 less than the cash flow needed to service the original debt. The economic gain resulting from the refunding, calculated on a present value basis, is approximately \$51,000.

(Continued)

NOTE 6 - LONG-TERM LIABILITIES, Continued

The District is obligated under four capital lease agreements. The following describes the District's capital lease obligations:

Capital lease- 2007: Originated March 20, 2007, in the amount of \$950,000, with a term of 15 years at 4.07% interest. The debt was refunded on April 2, 2012, in the amount of \$712,000. Principal payments consist of 10 annual installments ranging from \$75,722, beginning April 1, 2013, to \$86,041 ending April 1, 2022. Interest payments at 2.45% are made semi-annually. The original proceeds were used for the construction of Fire Station #3. The principal amount outstanding of the new debt, at June 30, 2012 is \$712,000; the old debt was defeased and is no longer outstanding. The cash flow needed to service the new debt, after issuance costs of the new debt, is approximately \$53,700 less than the cash flow needed to service the original debt. The economic gain resulting from the refunding, calculated on a present value basis, is approximately \$47,200.

Capital lease- 2010: Originated October 1, 2009, in the amount of \$160,000 with an interest rate of 7%. Payments consist of 5 annual installments ranging from \$30,063, beginning December 1, 2011, to \$50,241 ending October 1, 2014. The proceeds were used for the purchase of air packs for the fire department. The principal amount outstanding at June 30, 2012 is \$103,594.

Capital lease- 2011: Originated November 23, 2010, in the amount of \$718,630 with an interest rate of 2.68%. Payments consist of 11 annual installments ranging from \$16,263, beginning September 23, 2011 (which consisted of interest only), to \$82,875 ending September 23, 2021. The proceeds were used for the purchase of two fire engines for the fire department. The principal amount outstanding at June 30, 2012 is \$718,630.

Capital lease- 2012: Originated January 27, 2012, in the amount of \$303,275 with an interest rate of 1.75%. Payments consist of 3 annual installments of \$104,705, beginning January 27, 2013, and ending January 27, 2015. The proceeds were used for the purchase of a Vac-con sewer truck for the sewer department. The principal amount outstanding at June 30, 2012 is \$303,275.

As of June 30, 2012, the future minimum lease payments under capital lease and the annual requirements to amortize the loan payable outstanding are as follows:

Year ending June 30,	State revolving loan		Revenue bond		Capital lease obligation		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 149,713	\$ 3,824	\$ 60,000	\$ 29,172	\$ 253,248	\$ 50,355	\$ 546,312
2014	76,126	643	60,000	27,300	256,369	43,720	464,158
2015	-	-	65,000	25,428	261,667	36,913	389,008
2016	-	-	65,000	23,400	162,462	29,911	280,773
2017	-	-	65,000	21,372	135,715	23,186	245,273
2018-2022	-	-	360,000	75,348	768,038	60,494	1,263,880
2023-2025	-	-	260,000	16,380	-	-	276,380
Totals	<u>\$ 225,839</u>	<u>\$ 4,467</u>	<u>\$ 935,000</u>	<u>\$ 218,400</u>	<u>\$ 1,837,499</u>	<u>\$ 244,579</u>	<u>\$ 3,465,784</u>

NOTE 7 - EMPLOYEE BENEFITS

Defined Benefit Pension Plan

Substantially all District employees are members of the South Carolina Retirement System (“SCRS”) or the South Carolina Police Officers Retirement System (“SCPORS”), cost-sharing multiple-employer defined benefit pension plans administered by the SCRS, a division of the South Carolina State Budget and Control Board. The SCRS offers retirement and disability benefits, cost of living adjustments on an adhoc basis, life insurance benefits and survivor benefits. The plans issue a publicly available financial report that includes financial statements and required information. Those reports may be obtained by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Plan members are required to contribute 6.5 percent of their annual covered salary (\$2,084,924) and the District is required to contribute at an actuarially determined rate. The current rate is 9.39 percent of annual covered payroll for SCRS and 11.36 percent for SCPORS. In addition to the above rates, participating employers of the SCRS contribute 0.15 percent of payroll and participating employers of the PORS contribute 0.20 percent to provide a group life insurance benefit for their participants and an additional 0.20 percent to provide an accidental death insurance benefit for their participant. All employers contribute at the actuarially required contribution rates. The District contributed \$234,840, \$229,360, and \$217,532 to both the SCRS and the SCPORS for the year ended June 30, 2012, 2011, and 2010, respectively; all amounts were 100 percent of the required contributions. Employees contributed \$135,520, \$135,388, and \$133,076 to both the SCRS and the SCPORS for the year ended June 30, 2012, 2011, and 2010, respectively; all amounts were 100 percent of the required contributions.

Deferred Compensation Plan

Employees of the District may participate in the South Carolina Deferred Compensation Plan through bi-weekly payroll deferrals. All full-time employees are eligible to participate and may defer up to 100 percent of compensation, not to exceed statutory limits. Contributions are made solely through employees' salary deferrals; no contributions are made by the District.

Post-employment Health Care Benefits

The District does not provide health care benefits for retired employees.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Settled claims have not exceeded insurance coverage in any of the last three years.

The District is from time-to-time subject to various claims, legal actions and other matters arising out of the normal operations conducted by the District. Based on prior experience and available information, the District does not anticipate the ultimate outcome of any lawsuits to be material to the financial statements.

NOTE 9 - INTERGOVERNMENTAL AGREEMENT

In 2007, the District executed an agreement with Renewable Water Resources (“ReWa”) that addresses inflow and infiltration (“I&I”) issues between the District and ReWa. The agreement was deemed mutually beneficial in the effort to reduce I&I into shared facilities and to improve the transportation system. Additionally, it was part of the District’s ongoing commitment to meet both the Environmental Protection Agency’s Capacity, Management, Operation and Maintenance Program and the South Carolina Department of Health and Environmental Control’s Satellite Sewer System Operating Permit requirements. The agreement stipulates that the District’s goal is to review and address rehabilitation and I&I abatement in all mini-systems within a fifteen year time frame. In addition, the District will perform standard operations and maintenance annually. The agreement has an initial term of three years, with automatic renewals of four successive terms of three years each, with a final termination of December 2022. Each party has reserved the right to have automatic renewals reviewed by a court of competent jurisdiction for a determination of its continuing validity.

Required Supplemental Information

**TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 4,502,289	\$ 4,502,289	\$ 4,874,674	\$ 372,385
Fees	294,500	294,500	300,151	5,651
Investment earnings	30,000	30,000	51,102	21,102
Other	-	-	2,510	2,510
Total revenues	<u>4,826,789</u>	<u>4,826,789</u>	<u>5,228,437</u>	<u>401,648</u>
EXPENDITURES				
General government				
Personnel	3,180,990	3,180,990	3,061,536	(119,454)
Maintenance	805,900	805,900	574,503	(231,397)
Administrative expense	71,364	71,364	126,550	55,186
Occupancy	105,090	105,090	107,010	1,920
Safety	51,655	51,655	50,291	(1,364)
Insurance	46,984	46,984	38,548	(8,436)
Training/certification	42,008	42,008	31,117	(10,891)
Miscellaneous	6,000	6,000	2,354	(3,646)
	<u>4,309,991</u>	<u>4,309,991</u>	<u>3,991,909</u>	<u>(318,082)</u>
CAPITAL OUTLAY	<u>30,000</u>	<u>30,000</u>	<u>328,147</u>	<u>298,147</u>
DEBT SERVICE				
Principal	70,960	70,960	76,406	5,446
Interest	66,234	66,234	56,000	(10,234)
	<u>137,194</u>	<u>137,194</u>	<u>132,406</u>	<u>(4,788)</u>
Total expenditures	<u>4,477,185</u>	<u>4,477,185</u>	<u>4,452,462</u>	<u>(24,723)</u>
Revenues over expenditures	<u>349,604</u>	<u>349,604</u>	<u>775,975</u>	<u>426,371</u>
Other financing sources (uses)				
Excess to increase reserves	(242,481)	(242,481)	-	242,481
Contingency	(55,000)	(55,000)	-	55,000
Sale of capital assets	-	-	59,260	59,260
Capital lease	-	-	303,275	303,275
Refunding capital lease	-	-	712,000	712,000
Payment to retire capital lease refinanced	-	-	(700,000)	(700,000)
Capital lease financing fees	-	-	(12,000)	(12,000)
Transfers to other funds	-	-	(90,987)	(90,987)
Total other financing uses	<u>(297,481)</u>	<u>(297,481)</u>	<u>271,548</u>	<u>569,029</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ 52,123</u>	<u>\$ 52,123</u>	1,047,523	<u>\$ 995,400</u>
FUND BALANCE, BEGINNING OF YEAR			<u>4,148,785</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,196,308</u>	

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - FIRE DEPARTMENT
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 3,264,661	\$ 3,264,661	\$ 3,518,361	\$ 253,700
Fees	2,500	2,500	2,794	294
Investment earnings	-	-	17,048	17,048
Other	-	-	1,210	1,210
Total revenues	<u>3,267,161</u>	<u>3,267,161</u>	<u>3,539,413</u>	<u>272,252</u>
EXPENDITURES				
General government				
Personnel	2,560,495	2,560,495	2,481,640	78,855
Maintenance	88,200	88,200	106,538	(18,338)
Administrative expense	36,907	36,907	71,354	(34,447)
Occupancy	82,890	82,890	86,084	(3,194)
Safety	44,000	44,000	42,065	1,935
Insurance	25,000	25,000	19,754	5,246
Training/certification	27,808	27,808	23,391	4,417
Miscellaneous	5,000	5,000	1,980	3,020
	<u>2,870,300</u>	<u>2,870,300</u>	<u>2,832,806</u>	<u>37,494</u>
CAPITAL OUTLAY	<u>30,000</u>	<u>30,000</u>	<u>20,360</u>	<u>9,640</u>
DEBT SERVICE				
Principal	70,960	70,960	76,406	(5,446)
Interest	66,234	66,234	56,000	10,234
	<u>137,194</u>	<u>137,194</u>	<u>132,406</u>	<u>4,788</u>
Total expenditures	<u>3,037,494</u>	<u>3,037,494</u>	<u>2,985,572</u>	<u>51,922</u>
Revenues over expenditures	<u>229,667</u>	<u>229,667</u>	<u>553,841</u>	<u>324,174</u>
Other financing sources (uses)				
Excess to increase reserves	(175,104)	(175,104)	-	175,104
Contingency	(55,000)	(55,000)	-	55,000
Sale of capital assets	-	-	9,152	9,152
Refunding capital lease	-	-	712,000	712,000
Payment to retire capital lease refinanced	-	-	(700,000)	(700,000)
Capital lease financing fees	-	-	(12,000)	(12,000)
Total other financing uses	<u>(230,104)</u>	<u>(230,104)</u>	<u>9,152</u>	<u>239,256</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (437)</u>	<u>\$ (437)</u>	<u>\$ 562,993</u>	<u>\$ 563,430</u>

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - SEWER DEPARTMENT
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 1,237,628	\$ 1,237,628	\$ 1,356,313	\$ 118,685
Fees	292,000	292,000	297,357	5,357
Investment earnings	30,000	30,000	34,054	4,054
Other	-	-	1,300	1,300
	<u>1,559,628</u>	<u>1,559,628</u>	<u>1,689,024</u>	<u>129,396</u>
Total revenues				
EXPENDITURES				
General government				
Personnel	620,495	620,495	579,896	40,599
Maintenance	717,700	717,700	467,965	249,735
Administrative expense	34,457	34,457	55,196	(20,739)
Occupancy	22,200	22,200	20,926	1,274
Safety	7,655	7,655	8,226	(571)
Insurance	21,984	21,984	18,794	3,190
Training/certification	14,200	14,200	7,726	6,474
Miscellaneous	1,000	1,000	374	626
	<u>1,439,691</u>	<u>1,439,691</u>	<u>1,159,103</u>	<u>280,588</u>
CAPITAL OUTLAY	-	-	307,787	(307,787)
	<u>1,439,691</u>	<u>1,439,691</u>	<u>1,466,890</u>	<u>(27,199)</u>
Total expenditures				
Revenues over expenditures	<u>119,937</u>	<u>119,937</u>	<u>222,134</u>	<u>102,197</u>
Other financing sources (uses)				
Excess to increase reserves	(67,377)	(67,377)	-	67,377
Sale of capital assets	-	-	50,108	50,108
Capital lease	-	-	303,275	303,275
Transfer to other funds	-	-	(90,987)	(90,987)
	<u>(67,377)</u>	<u>(67,377)</u>	<u>262,396</u>	<u>329,773</u>
Total other financing uses				
Revenues and other financing sources over expenditures and other financing uses	<u>\$ 52,560</u>	<u>\$ 52,560</u>	<u>\$ 484,530</u>	<u>\$ 431,970</u>



**INDEPENDENT AUDITOR'S 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**

Board of Commissioners
Taylors Fire and Sewer District
Taylors, South Carolina

We have audited the financial statements of the governmental activities and each major fund of Taylors Fire and Sewer District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Taylors Fire and Sewer District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Taylors Fire and Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Taylors Fire and Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Taylors Fire and Sewer District's internal control over financial reporting.


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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylors Fire and Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style.

Greenville, South Carolina
October 31, 2012