

TAYLORS FIRE AND SEWER DISTRICT

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

TAYLORS FIRE AND SEWER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Taylors Fire and Sewer District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As discussed in Notes 7 and 11 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of District's proportionate share of the net pension liability, the schedule of District's contributions and the schedule of revenues, expenditures and changes in fund – budget and actual – general fund information on pages 3–12, and pages 42-44 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.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylors Fire and Sewer District's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund – fire department and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund – sewer department (collectively "department schedules") are presented for purposes of additional analysis and are not a required part of the basic financial statements. The department schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of Taylors Fire and Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taylors Fire and Sewer District's internal control over financial reporting and compliance.



Greenville, South Carolina
November 5, 2015

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, 2015. 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. Amounts presented have been rounded to the nearest \$1,000.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 are as follows:

- On the government-wide basic financial statements, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2015 by \$9,736,000. Of this amount, \$1,636,000 may be used to meet the District's ongoing obligations to citizens and creditors.
- On the government-wide basic financial statements, the total net position of the District increased by \$524,000, as revenues of \$6,102,000 exceeded expenses of \$5,578,000.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,838,000, an increase of \$652,000 from the prior year-ending fund balance. Approximately 71% of the total general fund balance, or \$4,118,000, is unassigned. The unassigned fund balance represents approximately 77% of total General Fund expenditures of the current fiscal year.
- The District's net capital assets decreased by approximately \$448,000 (4%) during the current fiscal year, as depreciation expense of \$771,000 exceeded additions of \$351,000 and net disposals of \$28,000.
- The District's long-term obligations decreased by \$327,000 (14%) during the current fiscal year due to scheduled debt payments.
- The District's governmental fund revenues were \$6,131,000 for 2015, compared to \$5,723,000 in the prior year. The increase is due to an increase in property taxes and increase in sewer user fees.
- The District's governmental fund expenditures were \$5,478,000 for 2015, compared to \$6,540,000 in the prior year. The decrease of \$1,062,000 was primarily due to an additional retirement payment made in the prior year.
- The District implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the District to record beginning net pension liability and the effects of contributions made during the measurement period (fiscal year ended June 30, 2014) on the unrestricted net position of the District. Changes made to comply with this Statement have been reported as an adjustment of prior periods, and financial statements presented for the periods affected have been restated. The cumulative effect of applying this Statement has been reported as a restatement of beginning net position for the earliest period restated, which is July 1, 2014. As a result, beginning unrestricted net position for the District for the year ended June 30, 2015 decreased by approximately \$4,001,000 for the governmental activities. This decrease resulted in the restatement of net position to a balance of approximately \$9,212,000 for the governmental activities as of July 1, 2014.

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.

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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.

OVERVIEW OF THE 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, 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 Position 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 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

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,736,000 and \$13,213,000 at the close of the most recent fiscal years. Table 1 provides a summary of the District's net position for its governmental activities at June 30, 2015 and 2014:

Table 1
Net position

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 6,123,000	\$ 5,387,000
Capital assets, net	<u>9,876,000</u>	<u>10,324,000</u>
Total assets	<u>\$ 15,999,000</u>	<u>\$ 15,711,000</u>
Deferred outflows of resources	<u>\$ 459,000</u>	<u>\$ -</u>
Liabilities		
Current liabilities	\$ 683,000	\$ 662,000
Long-term liabilities	<u>5,609,000</u>	<u>1,836,000</u>
Total liabilities	<u>\$ 6,292,000</u>	<u>\$ 2,498,000</u>
Deferred inflows of resources	<u>\$ 430,000</u>	<u>\$ -</u>
Net position		
Invested in capital assets, net of related debt	\$ 8,057,000	\$ 8,174,000
Restricted	43,000	40,000
Unrestricted, as restated *	<u>1,636,000*</u>	<u>4,999,000</u>
Total net position	<u>\$ 9,736,000</u>	<u>\$ 13,213,000</u>

* Refer to key financial highlights for explanation of 2015 restatement in accordance with GASB 68.

The District's total assets at June 30, 2015 increased by \$288,000 from the prior year, primarily due to an increase in cash related to higher property tax collections and timing of payment to vendors with a decrease in capital assets related to depreciation expense. Total liabilities at June 30, 2015 increased by \$3,794,000 due to recording the District's proportionate share of net pension liability of approximately \$4,001,000 less scheduled repayments of debt. Deferred outflows of resources increased by \$459,000 and deferred inflows of resources increased by \$430,000 due to change in net pension liability.

The District's net position decreased by \$3,477,000 which is attributed to the restatement of beginning net position of \$(4,001,000) net of \$524,000 related to current year revenues exceeding expenses. See discussion following Table 2 regarding this increase.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources (net position) by \$9,736,000 at the end of the year. The largest portion of the District’s net position (83%) 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 \$43,000 (<1% of net position) restricted for the payment of debt service with the remaining balance being unrestricted net position of \$1,636,000 (17%) which may be used to meet the ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for the District for 2015 and 2014:

Table 2
Changes in net position

	<u>For the year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 420,000	\$ 300,000
Capital grants and contributions	-	22,000
General revenues:		
Property taxes	5,641,000	5,358,000
Other	<u>41,000</u>	<u>53,000</u>
Total revenues	<u>6,102,000</u>	<u>5,733,000</u>
Program expenses		
Fire department	3,751,000	4,519,000
Sewer department	1,772,000	1,644,000
Interest and fiscal charges	<u>55,000</u>	<u>106,000</u>
Total program expenses	<u>5,578,000</u>	<u>6,269,000</u>
Change in net position	524,000	(536,000)
Restatement for net pension liability*	(4,001,000)	-
Net position, beginning of year,	<u>13,213,000</u>	<u>13,749,000</u>
Net position, end of year	<u>\$ 9,736,000</u>	<u>\$ 13,213,000</u>

* Refer to key financial highlights for explanation of 2015 restatement in accordance with GASB 68.

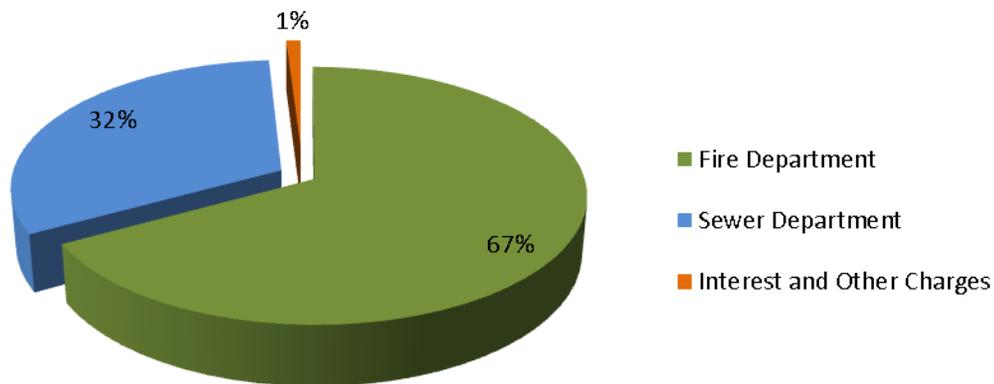
OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Governmental activities

The District’s net position increased during 2015 by \$524,000, as revenues of \$6,102,000 exceeded expenses of \$5,578,000. Key elements of this change were as follows:

- Revenues increased by \$369,000 (6%) from the prior year. This increase was due to an increase in property taxes collected of \$283,000 which was primarily due to a millage increase and improved collections of the taxes levied. There was an increase in charges for services of \$120,000 due to an increase in user fee rates. Other general revenues decreased \$12,000 which was primarily due to a decrease in interest income earned from the prior year.
- Expenses decreased by \$691,000 (11%) from the prior year primarily driven by a decrease in year over year personnel costs including an additional retirement payment made in the prior year.

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, 2015, the District’s governmental funds reported a combined fund balance of \$5,838,000 as compared to the prior year amount of \$5,186,000. At June 30, 2015, the District’s unassigned fund balance for all governmental funds was \$4,037,000 which represents the General Fund of \$4,118,000 and \$(81,000) for the Capital Project Fund. The District has assigned fund balances of \$186,000 for the fire department and \$309,000 for sewer maintenance. The District also has committed fund balances of \$1,058,000 for facility improvements and sewer projects. The District has restricted fund balances of \$43,000 for debt service and \$65,000 for reserve millage. The District also has a nonspendable fund balances of \$140,000 for prepaid items. The fund balance for the District’s General Fund increased by \$686,000 (13%) during the current fiscal year. Revenues of \$6,130,000 exceeded expenses, debt retirement and transfers out of \$5,444,000, as previously discussed.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, Continued

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 increased in fiscal 2015 by \$3,000 to \$43,000, as property tax revenues, debt issues, transfers in and investment earnings of \$94,000 exceeded principal and interest payments of \$91,000. The entire fund balance is reserved for the repayment of this loan.

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 2015.

For the year ended June 30, 2015, the following had significant variances in budget to actual:

- Property tax collections were higher primarily due to a millage increase and improved collections of the taxes levied.
- Maintenance costs were lower due to fewer sewer line repairs performed than originally planned.
- Grant funding was budgeted for the acquisition of fire equipment but was not received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of 2015 and 2014, the District had net capital assets of approximately \$9,876,000 and \$10,324,000, respectively, as detailed in Table 3:

Table 3
Capital Assets, Net of Depreciation

<u>Capital assets</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 304,000	\$ 304,000
Construction in progress	161,000	95,000
Buildings and building improvements	1,656,000	1,681,000
Vehicles	936,000	1,123,000
Equipment	448,000	447,000
Infrastructure	<u>6,371,000</u>	<u>6,674,000</u>
Totals	<u>\$ 9,876,000</u>	<u>\$ 10,324,000</u>

The net decrease in the District's net capital assets was \$448,000, or 4%. Major capital asset events during the current fiscal year included:

- Sewer line infrastructure improvements of \$68,000.
- Sewer equipment purchases of \$120,000.
- Mill Hill project and DOT special project of \$58,000.
- Fire station upgrades of \$27,000.
- Fire equipment purchases of \$37,000.

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

- Building and office improvements of \$5,000.
- Parking lot and master plan development of \$7,000.
- Depreciation expense of \$771,000.

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

Debt Administration

At the end of 2015 and 2014, the District had outstanding debt (capital leases and sewer revenue bonds) of \$1,819,000 and \$2,150,000 respectively. During 2015 and 2014, the District made principal and interest payments of \$389,000 and \$464,000, respectively.

<u>Long-Term Debt</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Capital leases	\$ 1,069,000	\$ 1,335,000
Sewer revenue bonds	<u>750,000</u>	<u>815,000</u>
	<u>\$ 1,819,000</u>	<u>\$ 2,150,000</u>

The State of South Carolina 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.

The District has requested a \$2 million General Obligation Bond to be paid by the capital revenue (Sewer User Fee) to rehabilitate the sanitary sewer serving the area west of Bridge Road in the area known as the Mill Village of Taylors, SC. The lines serving the residents are currently located in the rear of the houses. This project will improve accessibility for maintenance by relocating the lines to the streets and will bring the development into compliance with Renewable Water Resources Intergovernmental Agreement by reducing inflow and infiltration (I&I) in the sewer system.

ECONOMIC FACTORS

Taylors 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 2015-2016 BUDGET

Many factors were considered by the District's administration during the process of developing the fiscal year 2015-2016 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 POSITION
JUNE 30, 2015**

	Governmental activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,774,336
Investments	43,993
Investments held by county treasurer	18,110
Property taxes receivable, net	57,386
Due from county treasurer	89,621
Interest receivable	352
Prepaid items	139,600
Total current assets	6,123,398
Noncurrent assets:	
Nondepreciable capital assets	464,593
Depreciable capital assets, net	9,411,160
Total noncurrent assets	9,875,753
Total assets	15,999,151
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on net pension liability	459,004
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	248,677
Accrued interest	19,544
Current portion of long term debt	65,000
Current portion of capital leases payable	165,283
Current portion of compensated absences	184,233
Total current liabilities	682,737
Long-term liabilities:	
Long-term liabilities other than pensions	1,597,849
Aggregate net pension liability	4,011,484
Total long-term liabilities	5,609,333
Total liabilities	6,292,070
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on net pension liability	430,010
NET POSITION	
Net investment in capital assets	8,056,719
Restricted for:	
Debt service	43,139
Unrestricted	1,636,217
Total net position	\$ 9,736,075

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, 2015

	Program revenues			Net (expense) revenue and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
Fire services	\$ 3,750,509	\$ 2,288	\$ -	\$ -	\$ (3,748,221)	\$ (3,748,221)
Sewer services	1,772,227	417,613	-	-	(1,354,614)	(1,354,614)
Interest expense	55,237	-	-	-	(55,237)	(55,237)
Total governmental activities	<u>\$ 5,577,973</u>	<u>\$ 419,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(5,158,072)</u>	<u>(5,158,072)</u>
GENERAL REVENUES						
Property taxes received for:						
					5,640,654	5,640,654
					19,341	19,341
					22,175	22,175
					<u>5,682,170</u>	<u>5,682,170</u>
					<u>524,098</u>	<u>524,098</u>
					13,212,594	13,212,594
					<u>(4,000,617)</u>	<u>(4,000,617)</u>
					<u>9,211,977</u>	<u>9,211,977</u>
					<u>\$ 9,736,075</u>	<u>\$ 9,736,075</u>

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

TAYLORS FIRE AND SEWER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General fund</u>	<u>Debt service fund</u>	<u>Capital projects fund</u>	<u>Total governmental funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,749,307	\$ 25,029	\$ -	\$ 5,774,336
Investments	43,993	-	-	43,993
Investments held by county treasurer	-	18,110	-	18,110
Property taxes receivable, net	57,169	217	-	57,386
Due from county treasurer	89,621	-	-	89,621
Due from other funds	81,142	-	-	81,142
Prepaid items	139,600	-	-	139,600
Total assets	<u>\$ 6,160,832</u>	<u>\$ 43,356</u>	<u>\$ -</u>	<u>\$ 6,204,188</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 104,251	\$ -	\$ -	\$ 104,251
Accrued expenses	140,426	-	-	140,426
Due to other funds	-	-	81,142	81,142
Refundable deposits	4,000	-	-	4,000
Total liabilities	<u>248,677</u>	<u>-</u>	<u>81,142</u>	<u>329,819</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	36,449	37	-	36,486
Total deferred inflows of resources	<u>36,449</u>	<u>37</u>	<u>-</u>	<u>36,486</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid items	139,600	-	-	139,600
Restricted for:				
Reserve millage	64,764	-	-	64,764
Debt service	-	43,319	-	43,319
Committed for:				
Sewer projects	1,013,760	-	-	1,013,760
Facility improvements	43,993	-	-	43,993
Assigned for:				
Fire department	186,438	-	-	186,438
Sewer maintenance	309,067	-	-	309,067
Unassigned	4,118,084	-	(81,142)	4,036,942
Total fund balances (deficits)	<u>5,875,706</u>	<u>43,319</u>	<u>(81,142)</u>	<u>5,837,883</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,160,832</u>	<u>\$ 43,356</u>	<u>\$ -</u>	<u>\$ 6,204,188</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
THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental funds - fund balance		\$ 5,837,883
 <i>Amounts reported for governmental activities in the statement of net position are different because of the following:</i>		
Certain assets are not available to pay for current year expenditures and, therefore, are deferred in the funds:		
Property taxes receivable	\$ 36,486	
Interest receivable	<u>352</u>	36,838
 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	23,665,264	
Accumulated depreciation	<u>(13,789,511)</u>	9,875,753
Deferred outflows related to net pension liability		459,004
Deferred inflows related to net pension liability		(430,010)
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.		(19,544)
 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:		
District's proportionate share of net pension liability	(4,011,484)	
Long-term debt (including capital leases)	(1,819,035)	
Compensated absences	<u>(193,330)</u>	<u>(6,023,849)</u>
 Net position - governmental activities		 <u><u>\$ 9,736,075</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, 2015**

	<u>General fund</u>	<u>Debt service fund</u>	<u>Capital projects fund</u>	<u>Total governmental funds</u>
REVENUES				
Property taxes	\$ 5,666,997	\$ 1,028	\$ -	\$ 5,668,025
Fees	419,901	-	-	419,901
Investment earnings	18,907	192	-	19,099
Other	24,359	-	-	24,359
Total revenues	<u>6,130,164</u>	<u>1,220</u>	<u>-</u>	<u>6,131,384</u>
EXPENDITURES				
Fire department	3,537,936	-	-	3,537,936
Sewer department	1,451,038	-	-	1,451,038
Capital outlay	61,165	-	38,325	99,490
Debt service:				
Principal	265,940	65,000	-	330,940
Interest	32,859	25,428	-	58,287
Total expenditures	<u>5,348,938</u>	<u>90,428</u>	<u>38,325</u>	<u>5,477,691</u>
Excess (deficiency) of revenues over expenditures	<u>781,226</u>	<u>(89,208)</u>	<u>(38,325)</u>	<u>653,693</u>
OTHER FINANCING SOURCES (USES)				
Insurance claims	(2,184)	-	-	(2,184)
Transfers from other funds	-	92,843	-	92,843
Transfers to other funds	(92,843)	-	-	(92,843)
Total other financing sources (uses)	<u>(95,027)</u>	<u>92,843</u>	<u>-</u>	<u>(2,184)</u>
Net change in fund balances	686,199	3,635	(38,325)	651,509
Fund balances at beginning of year	5,189,507	39,684	(42,817)	5,186,374
Fund balances at end of year	<u><u>\$ 5,875,706</u></u>	<u><u>\$ 43,319</u></u>	<u><u>\$ (81,142)</u></u>	<u><u>\$ 5,837,883</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, 2015

Net change in fund balances - total governmental funds		\$ 651,509
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:		
Unearned revenue	(27,370)	
Interest receivable	242	(27,128)
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	322,619	
Depreciation expense	(770,773)	(448,154)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities		
		350,160
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.		
Compensated absences	(4,245)	
District's portion of collective pension expense	(332,034)	(336,279)
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.		
Repayment of capital leases	265,940	
Repayment of revenue bonds	65,000	330,940
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.		
		3,050
Change in net position		\$ 524,098

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

Taylor's 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 within the 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.

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 Position and the Statement of Activities) report information on all of the 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.

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 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*. 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.

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

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.

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.

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

Budgetary information

Budgetary Practices – The budget is presented in the required supplementary information 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 unassigned 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 originally adopted appropriations. The schedule of revenues, expenditures, and changes in fund balance - budgets and actual – contains the original budget and the final budget.

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

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) 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

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

- (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.

The District currently uses the following types of 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.
- 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.

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-ways, and recording of plats as well as any fees for engineering services. Any unused amounts after the project is complete are refunded to the developers.

Compensated absences

District employees are granted vacation and sick leave in varying amounts (as defined in the employee handbook). The District's general leave policy allows employees to carry over up to three weeks of unused vacation leave from year to year. Upon termination of employment, an employee is reimbursed for the current year's unused 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.

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 or not 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.

Adoption of new accounting standards

Effective for the fiscal year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. As a result of this implementation, the District will now report its portion of the net pension liability for the State of South Carolina Retirement System and the South Carolina Police Officers Retirement System. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to net position as of July 1, 2014. The effect of this implementation is discussed in Notes 7 and 11.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS), and additions to/deductions from SCRS's and PORS's fiduciary net position have been determined on the same basis as they are reported by SCRS or PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows of resources and deferred inflows of resources

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Expenditures over appropriations

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

As of June 30, 2015, the capital projects fund has a deficit fund balance due to incurring costs on the Mill Hill Village project prior to bond issuance. The bonds are expected to be issued in FY 2016 to cover all costs.

Interfund transactions

Transfers of \$92,843 recorded by General Fund and Debt Service Fund relate to debt repayment.

Fund balance

The District reports 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. The Fund balance for governmental funds can consist of the following:

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

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 in the near term, 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: ordinance).

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. These amounts are neither restricted nor committed.

Unassigned Fund Balance – includes amounts that are not reported as non-spendable, restricted, committed or assigned.

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 position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets 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 position component as the unspent proceeds. Net position 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.

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

Recent accounting pronouncements

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.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following are the components of the District’s cash and investments at June 30, 2015:

Cash	\$ 106,371
Money market funds	<u>5,667,965</u>
Cash and cash equivalents	5,774,336
Investments (including held by County Treasurer)	<u>62,103</u>
	<u>\$ 5,836,439</u>

As of June 30, 2015, 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	\$ 43,993	\$ 43,993
Cash and investments held by the Greenville County Treasurer	<u>18,110</u>	<u>18,110</u>
	<u>\$ 62,103</u>	<u>\$ 62,103</u>

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.

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, 2015, the District’s bank balances of \$5,958,105 (which has a carrying value of \$5,836,439) were adequately insured.

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, 2014, based on an assessed value of approximately \$64.8 million at rates of 53.6 mills for the General Fund – Fire Department and approximately \$66.2 million at rates of 19.8 mills for the General Fund – Sewer Department. 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

Current year real and business personal property 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, 2015 of \$57,169 and \$217 for the General Fund and Debt Service Fund, respectively (net of allowances for uncollectible portion of \$76,608 and \$1,754, respectively). Estimated delinquent property taxes of \$20,720 in the General Fund and \$180 in the Debt Service Fund have been recognized as revenue at June 30, 2015 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 \$36,449 for the General Fund and \$37 for the Debt Service Fund has been recorded by the District as unavailable revenue at June 30, 2015 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, 2015 was as follows:

	Balance				Balance
	June 30, 2014	Additions	Deletions	Transfers	June 30, 2015
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 304,000	\$ -	\$ -	\$ -	\$ 304,000
Construction in progress	<u>95,165</u>	<u>93,747</u>	<u>-</u>	<u>(28,319)</u>	<u>160,593</u>
Total capital assets not being depreciated	<u>399,165</u>	<u>93,747</u>	<u>-</u>	<u>(28,319)</u>	<u>464,593</u>
Capital assets being depreciated:					
Buildings and improvements	2,731,337	31,874	-	-	2,763,211
Vehicles	3,537,837	-	-	-	3,537,837
Equipment	1,438,706	157,448	-	-	1,596,154
Infrastructure	<u>15,235,600</u>	<u>39,550</u>	<u>-</u>	<u>28,319</u>	<u>15,303,469</u>
Total capital assets being depreciated	22,943,480	228,872	-	28,319	23,200,671
Less accumulated depreciation	<u>(13,018,738)</u>	<u>(770,773)</u>	<u>-</u>	<u>-</u>	<u>(13,789,511)</u>
Total capital assets being depreciated, net	<u>9,924,742</u>	<u>(541,901)</u>	<u>-</u>	<u>-</u>	<u>9,411,160</u>
Total governmental activities capital assets, net	<u>\$ 10,323,907</u>	<u>\$ (448,154)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,875,753</u>

Construction in progress at June 30, 2015 consists of engineering fees related to the Mill Hill Village Project. No construction commitments existed at June 30, 2015.

During the year ended June 30, 2015, the District did not receive any sewer infrastructure contributed from developers.

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

Fire department	\$ 232,300
Sewer department	<u>538,473</u>
Total depreciation expense – governmental activities	<u>\$ 770,773</u>

Included in the above totals is equipment under capital leases as follows at June 30, 2015 (see Note 6).

Capitalized cost	\$ 2,090,078
Less accumulated depreciation	<u>604,192</u>
	<u>\$ 1,485,886</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The significant components of accounts payable and accrued expenses at June 30, 2015 consisted of the following:

Governmental activities:	
Accounts payable	\$ 104,251
Accrued salaries and fringe benefits	140,426
Refundable deposits	<u>4,000</u>
Total accounts payable and accrued expenses – governmental activities	<u><u>\$ 248,677</u></u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term debt and compensated absences for the year ending June 30, 2015 are as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due within</u> <u>one year</u>
Capital leases					
Capital lease - 2007 refunded	\$ 580,000	\$ -	\$ 65,000	\$ 515,000	\$ 65,000
Capital lease - 2011	589,693	-	67,072	522,621	68,869
Capital lease - 2012	102,870	-	102,870	-	-
Capital lease - 2013	<u>62,412</u>	<u>-</u>	<u>30,998</u>	<u>31,414</u>	<u>31,414</u>
Total capital leases	<u>1,334,975</u>	<u>-</u>	<u>265,940</u>	<u>1,069,035</u>	<u>165,283</u>
Revenue bonds (Series 2011)	<u>815,000</u>	<u>-</u>	<u>65,000</u>	<u>750,000</u>	<u>65,000</u>
Compensated absences	<u>189,085</u>	<u>66,787</u>	<u>62,542</u>	<u>193,330</u>	<u>184,233</u>
	<u><u>\$ 2,339,060</u></u>	<u><u>\$ 66,787</u></u>	<u><u>\$ 393,482</u></u>	<u><u>\$ 2,012,365</u></u>	<u><u>\$ 414,516</u></u>

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 at June 30, 2015 is \$750,000.

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

Capital lease- 2007 refunded: 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, 2015 is \$515,000.

NOTE 6 – LONG-TERM LIABILITIES, Continued

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, 2015 is \$522,621.

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 loan was repaid during 2015.

Capital lease- 2013: Originated May 30, 2013, in the amount of \$93,000 with an interest rate of 1.34%. Payments consist of 3 annual installments of \$31,834, beginning May 30, 2014, and ending May 30, 2016. The proceeds were used for the purchase of turnout gear and related equipment for the fire department. The principal amount outstanding at June 30, 2015 is \$31,414.

As of June 30, 2015, 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,	Revenue bond		Capital lease obligation		
	Principal	Interest	Principal	Interest	Totals
2016	\$ 65,000	\$ 23,400	\$ 165,283	\$ 27,045	\$ 280,728
2017	65,000	21,372	135,715	23,185	245,272
2018	65,000	19,344	142,610	19,697	246,651
2019	70,000	17,316	149,556	16,037	252,909
2020	70,000	15,132	151,554	12,201	248,887
2021-2025	<u>415,000</u>	<u>39,936</u>	<u>324,317</u>	<u>12,558</u>	<u>791,811</u>
Totals	<u>\$ 750,000</u>	<u>\$ 136,500</u>	<u>\$ 1,069,035</u>	<u>\$ 110,723</u>	<u>\$ 2,066,258</u>

NOTE 7 – PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to South Carolina Public Employee Benefit Authority, Retirement Systems Finance, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

NOTE 7 – PENSION PLANS, Continued

Plan descriptions:

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

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

Membership:

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

Benefits:

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

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class

NOTE 7 – PENSION PLANS, Continued

Benefits, (continued):

Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight years earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

Contributions:

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

NOTE 7 – PENSION PLANS, Continued

Contributions (continued):

- Required **employee** contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

- Required **employer** contributions for fiscal year 2014-2015 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Contributions to the SCRS and PORS pension plans from the District were \$75,981 and \$274,179 for the year ended June 30, 2015, respectively.

Net pension liability:

At June 30, 2015, the District reported liabilities of \$1,087,134 and \$2,924,350 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2013 projected forward to June 30, 2014. The District's proportionate shares of the net pension liabilities were based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportionate shares of the SCRS and PORS plans were 0.00631% and 0.15275%, which was the same as its proportionate shares of the net pension liabilities measured as of June 30, 2013, respectively.

Pension expense:

For the year ended June 30, 2015, the District recognized pension expense for the SCRS and PORS plans of \$76,227 and \$255,807, respectively.

NOTE 7 – PENSION PLANS, Continued

Deferred inflows of resources and deferred outflows of resources:

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

	<u>SCRS</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 30,805	\$ -
Net difference between projected and actual earnings on pension plan investments	-	91,653
District contributions subsequent to the measurement date	<u>75,981</u>	<u>-</u>
Total	<u>\$ 106,786</u>	<u>\$ 91,653</u>

	<u>PORS</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 78,039	\$ -
Net difference between projected and actual earnings on pension plan investments	-	338,357
District contributions subsequent to the measurement date	<u>274,179</u>	<u>-</u>
Total	<u>\$ 352,218</u>	<u>\$ 338,357</u>

The \$75,981 and \$274,179 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2015 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

	<u>SCRS</u>
Year ended June 30:	
2016	\$ (13,391)
2017	(13,391)
2018	(13,391)
2019	(20,675)
	<u>PORS</u>
Year ended June 30:	
2016	\$ (64,345)
2017	(64,345)
2018	(64,345)
2019	(67,283)

NOTE 7 – PENSION PLANS, Continued

Actuarial assumptions and methods:

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company (GRS) based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013 valuations for the SCRS and PORS plans administered by PEBA.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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

NOTE 7 – PENSION PLANS, Continued*Actuarial assumptions and methods, (continued):*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term			
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income			
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income			
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives			
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

NOTE 7 – PENSION PLANS, Continued

Discount rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis:

The following table presents the District’s proportionate share of the net pension liabilities of the respective plans calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 1,408,062	\$ 1,087,134	\$ 821,150
PORS	4,086,081	2,924,350	1,962,300

Pension plan fiduciary net position:

The net pension liability is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. As of June 30, 2014, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$ 42,955,205,796	\$ 25,738,521,026	\$ 17,216,684,770	59.9%
PORS	5,899,529,434	3,985,101,996	1,914,427,438	67.5%

NOTE 7 – PENSION PLANS, Continued

Pension plan fiduciary net position, (continued):

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASSB 67 in the System's notes to the financial statements and required supplementary information.

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS which can be accessed via the contact information provided above.

NOTE 8 – EMPLOYEE BENEFITS

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

Two retirees receive health insurance benefits under a now terminated plan. The District pays 100 percent of the premiums for supplemental insurance for these two retirees. The District paid approximately \$12,800 of costs for these retirees during the year ended June 30, 2015. The District does not provide any other post-employment benefits for retirees.

NOTE 9 - 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. Events that might create claims, but for which none have been reported, are considered in determining claims.

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 10 – 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.

NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

The District implemented Governmental Accounting Standards Board (GASB) *Statement 68, Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the District to record beginning net pension liability and the effects on unrestricted net position of contributions made by the District during the measurement period (fiscal year ended June 30, 2014). As a result, beginning unrestricted net position for the District as of July 1, 2014 decreased by \$4,000,617 for the governmental activities. This decrease resulted in the restatement of unrestricted net position to a balance of \$998,541 for the governmental activities as of July 1, 2014.

Required Supplemental Schedule 1

**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, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 5,431,000	\$ 5,431,000	\$ 5,666,997	\$ 235,997
Fees	419,500	419,500	419,901	401
Investment earnings	28,000	28,000	18,907	(9,093)
Other	15,000	15,000	24,359	9,359
Total revenues	<u>5,893,500</u>	<u>5,893,500</u>	<u>6,130,164</u>	<u>236,664</u>
EXPENDITURES				
General government				
Personnel	4,231,895	4,231,895	4,085,902	145,993
Maintenance	1,088,590	1,088,590	535,680	552,910
Administrative expense	76,240	76,240	47,702	28,538
Occupancy	133,105	133,105	133,363	(258)
Safety	58,280	58,280	65,719	(7,439)
Insurance	44,700	44,700	45,814	(1,114)
Training/certification	66,120	66,120	55,603	10,517
Miscellaneous	32,990	32,990	19,191	13,799
	<u>5,731,920</u>	<u>5,731,920</u>	<u>4,988,974</u>	<u>742,946</u>
CAPITAL OUTLAY	<u>858,450</u>	<u>858,450</u>	<u>61,165</u>	<u>797,285</u>
DEBT SERVICE				
Principal	265,940	265,940	265,940	-
Interest	33,640	33,640	32,859	781
	<u>299,580</u>	<u>299,580</u>	<u>298,799</u>	<u>781</u>
Total expenditures	<u>6,889,950</u>	<u>6,889,950</u>	<u>5,348,938</u>	<u>1,541,012</u>
Revenues over (under) expenditures	<u>(996,450)</u>	<u>(996,450)</u>	<u>781,226</u>	<u>1,777,676</u>
Other financing sources (uses)				
Excess of revenues over expenditures to increase reserves	636,880	636,880	-	(636,880)
Grants received	450,000	450,000	-	(450,000)
Insurance proceeds (claims), net	-	-	(2,184)	(2,184)
Transfers to other funds	(90,430)	(90,430)	(92,843)	(2,413)
Total other financing uses	<u>996,450</u>	<u>996,450</u>	<u>(95,027)</u>	<u>(1,091,477)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	686,199	<u>\$ 686,199</u>
FUND BALANCE, BEGINNING OF YEAR			<u>5,189,507</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,875,706</u>	

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the year ended June 30, 2015

	<u>SCRS</u>	
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.00632%	0.00632%
District's proportionate share of the net pension liability	<u>\$ 1,087,134</u>	<u>\$ 1,133,044</u>
District's covered payroll during the measurement period	<u>\$ 573,485</u>	<u>\$ 535,097</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	190%	212%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	56.39%
	<u>PORS</u>	
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15273%	0.15273%
District's proportionate share of the net pension liability	<u>\$ 2,924,350</u>	<u>\$ 3,166,051</u>
District's covered payroll during the measurement period	<u>\$ 1,822,668</u>	<u>\$ 1,631,263</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160%	194%
Plan fiduciary net position as a percentage of the total pension liability	67.55%	62.98%

TAYLORS FIRE AND SEWER DISTRICT
 Schedule of the District's Contributions
 For the years ended June 30, 2006 to 2015

	SCRS									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 75,981	\$ 60,789	\$ 56,720	\$ 44,553	\$ 47,381	\$ 49,195	\$ 46,632	\$ 41,489	\$ 25,236	\$ 14,950
Contributions in relation to the contractually required contribution	75,981	60,789	56,720	44,553	47,381	49,195	46,632	41,489	25,236	14,950
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 697,071	\$ 573,485	\$ 535,097	\$ 467,256	\$ 504,596	\$ 523,906	\$ 496,835	\$ 471,019	\$ 308,147	\$ 194,157
Contributions as a percentage of covered-employee payroll	10.90%	10.60%	10.60%	9.54%	9.39%	9.39%	9.39%	8.81%	8.19%	7.70%

	PORS									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 274,179	\$ 234,031	\$ 200,645	\$ 190,287	\$ 181,978	\$ 168,338	\$ 162,820	\$ 141,493	\$ 90,294	\$ 71,466
Contributions in relation to the contractually required contribution	274,179	234,031	200,645	190,287	181,978	168,338	162,820	141,493	90,294	71,466
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,044,591	\$ 1,822,668	\$ 1,631,263	\$ 1,617,667	\$ 1,578,302	\$ 1,523,421	\$ 1,473,494	\$ 1,366,107	\$ 1,104,435	\$ 928,119
Contributions as a percentage of covered-employee payroll	13.41%	12.84%	12.30%	11.76%	11.53%	11.05%	11.05%	10.36%	8.18%	7.70%

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 3,966,000	\$ 3,966,000	\$ 4,119,864	\$ 153,864
Fees	2,500	2,500	2,288	(212)
Investment earnings	13,000	13,000	7,557	(5,443)
Other	15,000	15,000	18,018	3,018
Total revenues	<u>3,996,500</u>	<u>3,996,500</u>	<u>4,147,727</u>	<u>151,227</u>
EXPENDITURES				
General government				
Personnel	3,266,287	3,266,287	3,185,001	81,286
Maintenance	165,280	165,280	115,359	49,921
Administrative expense	40,738	40,738	26,306	14,432
Occupancy	90,560	90,560	92,788	(2,228)
Safety	45,350	45,350	49,053	(3,703)
Insurance	20,600	20,600	22,416	(1,816)
Training/certification	38,010	38,010	34,031	3,979
Miscellaneous	26,765	26,765	12,982	13,783
	<u>3,693,590</u>	<u>3,693,590</u>	<u>3,537,936</u>	<u>155,654</u>
CAPITAL OUTLAY	<u>733,450</u>	<u>733,450</u>	<u>57,614</u>	<u>675,836</u>
DEBT SERVICE				
Principal	163,070	163,070	163,070	-
Interest	31,810	31,810	31,029	781
	<u>194,880</u>	<u>194,880</u>	<u>194,099</u>	<u>781</u>
Total expenditures	<u>4,621,920</u>	<u>4,621,920</u>	<u>3,789,649</u>	<u>832,271</u>
Revenues over (under) expenditures	<u>(625,420)</u>	<u>(625,420)</u>	<u>358,078</u>	<u>983,498</u>
Other financing sources (uses)				
Excess to revenues over expenditures to increase reserves	175,420	175,420	-	(175,420)
Grants received	450,000	450,000	-	(450,000)
Insurance proceeds (claims), net	-	-	(2,184)	(2,184)
Total other financing uses	<u>625,420</u>	<u>625,420</u>	<u>(2,184)</u>	<u>(627,604)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,894</u>	<u>\$ 355,894</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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 1,465,000	\$ 1,465,000	\$ 1,547,133	\$ 82,133
Fees	417,000	417,000	417,613	613
Investment earnings	15,000	15,000	11,350	(3,650)
Other	-	-	6,341	6,341
Total revenues	<u>1,897,000</u>	<u>1,897,000</u>	<u>1,982,437</u>	<u>85,437</u>
EXPENDITURES				
General government				
Personnel	965,608	965,608	900,901	64,707
Maintenance	923,310	923,310	420,321	502,989
Administrative expense	35,502	35,502	21,396	14,106
Occupancy	42,545	42,545	40,575	1,970
Safety	12,930	12,930	16,666	(3,736)
Insurance	24,100	24,100	23,398	702
Training/certification	28,110	28,110	21,572	6,538
Miscellaneous	6,225	6,225	6,209	16
	<u>2,038,330</u>	<u>2,038,330</u>	<u>1,451,038</u>	<u>587,292</u>
CAPITAL OUTLAY	<u>125,000</u>	<u>125,000</u>	<u>3,551</u>	<u>121,449</u>
DEBT SERVICE				
Principal	102,870	102,870	102,870	-
Interest	1,830	1,830	1,830	-
	<u>104,700</u>	<u>104,700</u>	<u>104,700</u>	<u>-</u>
Total expenditures	<u>2,268,030</u>	<u>2,268,030</u>	<u>1,559,289</u>	<u>708,741</u>
Revenues over (under) expenditures	<u>(371,030)</u>	<u>(371,030)</u>	<u>423,148</u>	<u>794,178</u>
Other financing sources (uses)				
Excess of revenues over expenditures to increase reserves	461,460	461,460	-	(461,460)
Transfer to other funds	(90,430)	(90,430)	(92,843)	(2,413)
Total other financing uses	<u>371,030</u>	<u>371,030</u>	<u>(92,843)</u>	<u>(463,873)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,305</u>	<u>\$ 330,305</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**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Taylors Fire and Sewer District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Taylors Fire and Sewer District's basic financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive style with a large, prominent initial "E".

Greenville, South Carolina
November 5, 2015