

TAYLORS FIRE AND SEWER DISTRICT

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

TAYLORS FIRE AND SEWER DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS

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, and of Taylors Fire and Sewer District (the "District"), as of and for the year ended June 30, 2016, 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, 2016, 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.

Other Matters

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 schedule of revenues, expenditures and changes in fund – budget and actual – general fund information on pages 3–12 and 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 the 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 been 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.

Opinions

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2016 on our consideration of Taylors Fire and Sewer District's internal control over financial reporting and on out 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.

Love Bailey & Associates, LLC

Laurens, South Carolina

December 7, 2016

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, 2016. 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 2016 are as follows:

- On the government-wide basic financial statements, the assets and deferred outflows of the District exceed its liabilities and deferred inflows at June 30, 2016 by \$9,959,000. Of this amount, \$2,036,000 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 \$223,000, as revenues of \$6,448,000 exceeded expenses of \$6,225,000.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,288,000, an increase of \$450,000 from the prior year-ending fund balance. Approximately 71% of the total fund balance, or \$4,485,000 is unassigned. The unassigned fund balance represents approximately 72% of total General Fund expenditures of the current fiscal year.
- The District's net capital assets decreased by approximately \$418,000 during the current fiscal year, as depreciation expense of \$739,000 exceeded additions of \$362,000, net loss on sale of assets \$7,800, and proceeds from the sale of capital assets were \$33,000.
- The District's long-term obligations other than pensions decreased by \$200,000 (13%) during the current fiscal year due to scheduled debt payments.
- The District's governmental fund revenues were \$6,437,000 for 2016, compared to \$6,131,000 in the prior year. The increase is due to an increase in property taxes and sewer fees.
- The District's governmental fund expenditures were \$6,020,000 for 2016, compared to \$5,478,000 in the prior year. The increase of \$542,000 was due to increased expenditures and capital outlay in 2016 for the fire and sewer district.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following parts: 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 statements in the Management Discussion and Analysis 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 \$9,959,000 and \$9,736,000 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, 2016 and 2015:

Table 1
Net position

	June 30,	
	2016	2015
Assets		
Current and other assets	\$ 6,559,000	\$ 6,123,000
Capital assets, net	<u>9,457,000</u>	<u>9,876,000</u>
Total assets	<u>\$ 16,016,000</u>	<u>\$ 15,999,000</u>
Deferred outflows of resources	<u>\$ 1,336,000</u>	<u>\$ 459,000</u>
Liabilities		
Current liabilities	\$ 630,000	\$ 683,000
Long-term liabilities	<u>6,405,000</u>	<u>5,609,000</u>
Total liabilities	<u>\$ 7,035,000</u>	<u>\$ 6,292,000</u>
Deferred inflows of resources	<u>\$ 358,000</u>	<u>\$ 430,000</u>
Net position		
Invested in capital assets, net of related debt	\$ 7,869,000	\$ 8,057,000
Restricted	54,000	43,000
Unrestricted	<u>2,036,000</u>	<u>1,636,000</u>
Total net position	<u>\$ 9,959,000</u>	<u>\$ 9,736,000</u>

The District's total assets at June 30, 2016 increased by \$17,000 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 and the sale\disposal of capital assets. Total liabilities at June 30, 2016 increased by \$743,000 due to the change in net pension liability. Deferred outflows of resources increased by \$877,000 and deferred inflows of resources decreased by \$72,000 due to change in net pension liability.

The District's net position increased by \$223,000 as revenues exceeded expenses. See discussion following Table 2 regarding this increase.

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources (net position) by \$9,959,000 at the end of the year. The largest portion of the District's net position (79%) 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 are reported net of related debt, it should be

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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 \$54,000 (1% of net position) restricted for the payment of debt service with the remaining balance being unrestricted net position of \$2,036,000 (20%) which may be used to meet the ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for the District for 2016 and 2015:

Table 2
Changes in net position

	<u>For the year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 453,000	\$ 420,000
Capital grants and contributions		
General revenues:		
Property taxes	5,966,000	5,641,000
Other	<u>29,000</u>	<u>41,000</u>
Total revenues	<u>6,448,000</u>	<u>6,102,000</u>
Program expenses		
Fire department	4,073,000	3,751,000
Sewer department	2,103,000	1,772,000
Interest and fiscal charges	<u>49,000</u>	<u>55,000</u>
Total program expenses	<u>6,225,000</u>	<u>5,578,000</u>
Change in net position	223,000	524,000
Net position, beginning of year,	<u>9,736,000</u>	<u>9,212,000</u>
Net position, end of year	<u>\$ 9,959,000</u>	<u>\$ 9,736,000</u>

Governmental activities

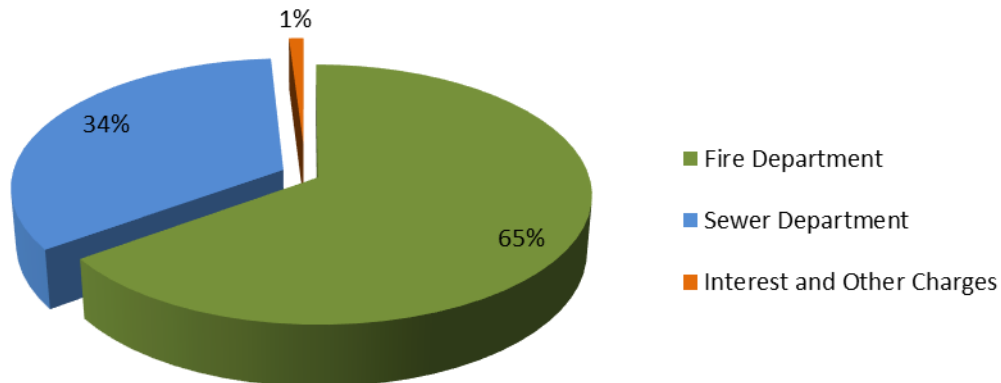
The District's net position increased during 2016 by \$223,000 as revenues of \$6,448,000 exceeded expenses of \$6,225,000. Key elements of this change were as follows:

Revenues increased by \$325,000 (6%) from the prior year. This increase was due to an increase in property taxes collected of \$274,000 which was primarily due to a millage increase and improved collections of the taxes levied. There was an increase in charges for services of \$33,000 due to the increased number of sewer tap fees. Other general revenues decreased \$12,000 which was primarily due to the sale of assets and because the District had no shared projects in which it received reimbursement.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Expenses increased by \$647,000 from the prior year primarily driven by increases in year over year personnel costs.

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, 2016, the District's governmental funds reported a combined fund balance of \$6,288,000 as compared to the prior year amount of \$5,838,000. At June 30, 2016, the District's unassigned fund balance for all governmental funds was \$4,485,000 which represents the General Fund of \$4,633,000; the Debt Service Fund of \$(33,000); the Capital Projects Fund of \$(114,000). The District has assigned fund balances of \$(33,000) for the fire department and \$121,000 for sewer maintenance. The District also has committed fund balances of \$1,556,000 for facility improvements (\$293,000) and sewer projects (\$1,262,000). In the October 2016 Commissioners meeting, Two hundred and fifty thousand dollars (\$250,000) was committed by the commissioners for parking lot improvements. The District has restricted fund balances of \$54,000 for debt service and \$65,000 for reserve millage. The District also has a non-spendable fund balances of \$38,000 for prepaid items. The fund balance for the District's governmental funds increased by \$450,000 (8%) during the current fiscal year. Revenues of \$6,448,000 exceeded expenses, debt retirement and transfers out of \$6,225,000, as previously discussed.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, Continued

The Debt Service Fund is shown in the accompanying basic financial statements. The fund is used to account for debt service related to the State Revolving Fund Loan. The District's Debt Service Fund balance decreased in fiscal 2016 by \$22,000 to a balance of \$21,000, as property tax revenues, debt issues, transfers in and investment earnings of \$100,000 exceeded principal and interest payments, bond issuance costs, and capital outlay of \$122,000.

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 2016.

For the year ended June 30, 2016, 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 2016 and 2015, the District had net capital assets of approximately \$9,458,000 and \$9,876,000, respectively, as detailed in Table 3:

Table 3
Capital Assets, Net of Depreciation

<u>Capital assets</u>	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 304,000	\$ 304,000
Construction in progress	241,000	161,000
Buildings and building improvements	1,615,000	1,656,000
Vehicles	869,000	936,000
Equipment	405,000	448,000
Infrastructure	<u>6,024,000</u>	<u>6,371,000</u>
Totals	<u>\$ 9,458,000</u>	<u>\$ 9,876,000</u>

The net decrease in the District's net capital assets was \$418,000, or 4%. Major capital asset events during the current fiscal year included:

- Sewer line infrastructure improvements of \$28,000.
- Sewer equipment purchases of \$157,000.
- Mill Hill project of \$60,000.
- Fire equipment purchases of \$78,000.
- Sewer shop upgrades of \$12,000.

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

- Station and tower upgrades \$9,000.
- CMMS Upgrades \$17,000.
- Depreciation expense of \$739,000.

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

Debt Administration

At the end of 2016 and 2015, the District had outstanding debt (capital leases and sewer revenue bonds) of \$1,589,000 and \$1,819,000 respectively. During 2016 and 2015, the District made principal and interest payments of \$230,000 and \$389,000, respectively.

<u>Long-Term Debt</u>	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Capital leases	\$ 904,000	\$ 1,069,000
Sewer revenue bonds	<u>685,000</u>	<u>750,000</u>
	<u>\$ 1,589,000</u>	<u>\$ 1,819,000</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 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 2016-2017 BUDGET

Many factors were considered by the District's administration during the process of developing the fiscal year 2016-2017 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, 2016

	Governmental activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,278,268
Investments	43,993
Investments held by County Treasurer	18,845
Accounts receivable	10,695
Property taxes receivable, net	75,643
Due from County Treasurer	92,579
Interest receivable	704
Prepaid items	37,919
Total current assets	<u>6,558,646</u>
Noncurrent assets:	
Nondepreciable capital assets	545,151
Depreciable capital assets, net	8,912,363
Total noncurrent assets	<u>9,457,514</u>
Total assets	<u>16,016,160</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on net pension liability	<u>1,335,809</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	216,429
Accrued interest	17,728
Current portion of long term debt	65,000
Current portion of capital leases payable	135,714
Current portion of compensated absences	195,403
Total current liabilities	<u>630,274</u>
Long-term liabilities:	
Long-term liabilities other than pensions	1,397,738
Aggregate net pension liability	5,006,935
Total long-term liabilities	<u>6,404,673</u>
Total liabilities	<u>7,034,947</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on net pension liability	<u>357,638</u>
NET POSITION	
Net investment in capital assets	7,868,763
Restricted for:	
Debt service	54,458
Unrestricted	2,036,163
Total net position	<u><u>\$ 9,959,384</u></u>

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, 2016

					Net (expense) revenue and changes in net position	
					Primary government	
		Program revenues				
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Total
PRIMARY GOVERNMENT		Expenses				
Governmental activities						
Fire department	\$ 4,073,461	\$ 2,539	\$ -	\$ -	\$ (4,070,922)	\$ (4,070,922)
Sewer department	2,102,553	450,207	-	-	(1,652,346)	(1,652,346)
Interest expense	48,834	-	-	-	(48,834)	(48,834)
Total governmental activities	<u><u>\$ 6,224,848</u></u>	<u><u>\$ 452,746</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,772,102)</u></u>	<u><u>\$ (5,772,102)</u></u>

GENERAL REVENUES

Property taxes received for:

General purposes	5,966,062	5,966,062
Debt purposes	510	510
Investment earnings	19,432	19,432
Miscellaneous income	9,407	9,407
Total general revenues	<u>5,995,411</u>	<u>5,995,411</u>
Change in net position	223,309	223,309
Net position beginning of year, restated	9,736,075	9,736,075
Net position end of year	<u><u>\$ 9,959,384</u></u>	<u><u>\$ 9,959,384</u></u>

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

TAYLORS FIRE AND SEWER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General fund	Debt service fund	Capital projects fund	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 6,242,739	\$ 35,529	\$ -	\$ 6,278,268
Investments	43,993	-	-	43,993
Investments held by county treasurer	96	18,750	-	18,846
Accounts receivable	10,695	-	-	10,695
Property taxes receivable, net	75,535	108	-	75,643
Due from county treasurer	92,579	-	-	92,579
Due from other funds	147,637	-	-	147,637
Prepaid items	37,919	-	-	37,919
Total assets	<u>\$ 6,651,193</u>	<u>\$ 54,387</u>	<u>\$ -</u>	<u>\$ 6,705,580</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 55,691	\$ -	\$ -	\$ 55,691
Accrued expenses	154,989	-	-	154,989
Due to other funds	-	33,438	114,198	147,636
Refundable deposits	4,550	-	-	4,550
Total liabilities	<u>215,230</u>	<u>33,438</u>	<u>114,198</u>	<u>362,866</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	54,815	(71)	-	54,744
Total deferred inflows of resources	<u>54,815</u>	<u>(71)</u>	<u>-</u>	<u>54,744</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	37,919	-	-	37,919
Restricted for:				
Reserve millage	65,836	-	-	65,836
Debt service	-	54,458	-	54,458
Committed for:				
Sewer projects	1,261,818	-	-	1,261,818
Facility improvements	43,993	-	-	43,993
Capital assets	250,000	-	-	250,000
Assigned for:				
Fire department	(32,627)	-	-	(32,627)
Sewer maintenance	121,488	-	-	121,488
Unassigned	4,632,721	(33,438)	(114,198)	4,485,085
Total fund balances	<u>6,381,148</u>	<u>21,020</u>	<u>(114,198)</u>	<u>6,287,970</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,651,193</u>	<u>\$ 54,387</u>	<u>\$ -</u>	<u>\$ 6,705,580</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, 2016**

Total governmental funds - fund balance \$ 6,287,970

***Amounts reported for governmental activities in the statement
of net position are different because of the following:***

Certain assets are not available to pay for current year expenditures and, therefore, are deferred in the funds:

Property taxes receivable	\$ 54,743	
Interest receivable	<u>704</u>	55,447

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	23,787,547	
Accumulated depreciation	<u>(14,331,234)</u>	9,456,313

The District's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the government funds but are recorded in the statement of net position.

(4,028,764)

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.

(17,727)

Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of the following:

Long-term debt (including capital leases)	(1,588,752)	
Compensated absences	<u>(205,103)</u>	<u>(1,793,855)</u>

Net position - governmental activities

\$ 9,959,384

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, 2016

	General fund	Debt service fund	Capital projects fund	Total governmental funds
REVENUES				
Property taxes	\$ 5,947,696	\$ -	\$ -	\$ 5,947,696
Fees	452,746	-	-	452,746
Investment earnings	18,918	-	-	18,918
Other	17,357	643	-	18,000
Total revenues	6,436,717	643	-	6,437,360
EXPENDITURES				
Fire department	3,822,495	-	-	3,822,495
Sewer department	1,578,952	-	-	1,578,952
Capital outlay	271,590	28,500	33,056	333,146
Debt service:				
Principal	165,703	65,003	-	230,706
Interest	26,830	23,400	-	50,230
Bond Issuance Cost		4,939		4,939
Total expenditures	5,865,570	121,842	33,056	6,020,468
Excess (deficiency) of revenues over expenditures	571,147	(121,199)	(33,056)	416,892
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	33,195	-	-	33,195
Transfers from other funds	-	98,900	-	98,900
Transfers to other funds	(98,900)	-	-	(98,900)
Total other financing sources	(65,705)	98,900	-	33,195
Net change in fund balances	505,442	(22,299)	(33,056)	450,087
Fund balances at beginning of year	5,875,706	43,319	(81,142)	5,837,883
Fund balances at end of year	\$ 6,381,148	\$ 21,020	\$ (114,198)	\$ 6,287,970

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, 2016

Net change in fund balances - total governmental funds		\$ 450,087
<i>Amounts reported for governmental activities in the statement of activities are different because of the following:</i>		
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	18,257	
Interest receivable	352	18,609
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	361,941	
Proceeds from sale of capital assets	(33,195)	
Loss on sale of assets	(7,814)	
Depreciation expense	(739,172)	(418,240)
Changes in the District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.		(44,445)
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		(11,773)
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 long term debt	165,283	
Repayment of leases payable	65,000	230,283
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.		(1,212)
Change in net position		\$ 223,309

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

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Reporting entity

Taylors Fire and Sewer District (the “District”) is a special purpose district created in 1958 by the South Carolina legislature to provide fire and sewer services to residents of a specified geographical district 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.

(Continued)

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.

(Continued)

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

(Continued)

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

Investments, 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.

Bond issuance costs

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

(Continued)

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

Capital assets

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

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

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

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

Refundable deposits

Developers are required to post a deposit with the District before they are granted permits for sewer line development. The deposit is used to pay expenses which include attorney fees for recording sewer line easements, costs for recording right-of-ways, and recording of plats. 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 one week 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.

(Continued)

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

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether 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

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

The adoption of this Statement had no impact on the District's financial statements but did result in expanded note disclosures.

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, 2016, the capital projects fund has a deficit fund balance due to incurring costs on the Mill Village project prior to bond issuance. The bonds are expected to be issued in FY 2017 to cover all costs.

Interfund transactions

Transfers of approximately \$98,900 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:

(Continued)

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 and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net 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.

(Continued)

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

Recent accounting pronouncements

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following are the components of the District's cash and investments at June 30, 2016:

Cash	\$ 116,585
Money market funds	<u>6,161,683</u>
Cash and cash equivalents	6,278,268
Investments (including held by County Treasurer)	<u>62,838</u>
	<u>\$ 6,341,106</u>

As of June 30, 2016, the District had the following investments and maturities:

Investment type	Investment maturities (in years)	
	Fair value	Less than 1
Certificates of deposit	\$ 43,993	\$ 43,993
Cash and investments held by the Greenville County Treasurer	<u>18,845</u>	<u>18,845</u>
	<u>\$ 62,838</u>	<u>\$ 62,838</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, 2016, none of the District's bank balances of \$6,514,683 (which has a carrying value of \$6,341,106) were exposed to custodial credit risk.

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

NOTE 3 - PROPERTY TAXES AND OTHER RECEIVABLES

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

Property taxes were levied and billed by the County on real and business personal properties on October 1, 2015, based on an assessed value of approximately \$64.4 million at rates of 56.4 mills for the General Fund – Fire Department and approximately \$65.8 million at rates of 20.8 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, 2016 of \$75,534 and \$109 for the General Fund and Debt Service Fund, respectively (net of allowances for uncollectible portion of \$64,919 and \$1,466, respectively). Estimated delinquent property taxes of \$13,421 in the General Fund and \$25 in the Debt Service Fund have been recognized as revenue at June 30, 2016 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 \$62,114 for the General Fund and \$87 for the Debt Service Fund has been recorded by the District as unearned revenue at June 30, 2016 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, 2016 was as follows:

	<u>Balance June 30, 2015</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 304,000	\$ -	\$ -	\$ 304,000
Construction in progress	<u>160,593</u>	<u>80,558</u>	<u>-</u>	<u>241,151</u>
Total capital assets not being depreciated	<u>464,593</u>	<u>80,558</u>	<u>-</u>	<u>545,151</u>
Capital assets being depreciated:				
Buildings and improvements	2,763,211	18,262	-	2,781,473
Vehicles	3,537,837	152,800	(206,490)	3,484,147
Equipment	1,596,154	82,716	(31,968)	1,646,902
Infrastructure	<u>15,303,469</u>	<u>27,605</u>	<u>-</u>	<u>15,331,074</u>
Total capital assets being depreciated	23,200,671	281,383	(238,458)	23,243,596
Less accumulated depreciation	<u>(13,789,511)</u>	<u>(739,172)</u>	<u>197,450</u>	<u>(14,331,233)</u>
Total capital assets being depreciated, net	<u>9,411,160</u>	<u>(457,789)</u>	<u>(41,008)</u>	<u>8,912,363</u>
Total governmental activities capital assets, net	<u>\$ 9,875,753</u>	<u>\$ (377,231)</u>	<u>\$ (41,008)</u>	<u>\$ 9,457,514</u>

Construction in progress at June 30, 2016 consists of engineering fees related to the Mill Hill Project. No construction commitments existed at June 30, 2016.

During the year ended June 30, 2016, 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	\$ 200,920
Sewer department	<u>538,252</u>
Total depreciation expense – governmental activities	<u>\$ 739,172</u>

Included in the above totals is equipment under capital leases as follows at June 30, 2016 (see Note 6).

Capitalized cost	\$ 2,090,078
Less accumulated depreciation	<u>749,714</u>
	<u>\$ 1,340,364</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The significant components of accounts payable and accrued expenses at June 30, 2016 consisted of the following:

Governmental activities:

Accounts payable	\$ 55,691
Accrued salaries and fringe benefits	154,989
Refundable deposits	<u>4,550</u>
Total accounts payable and accrued expenses – governmental activities	<u>\$ 215,230</u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term debt and compensated absences for the year ending June 30, 2016 are as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2016</u>	<u>Due within one year</u>
Capital leases					
Capital lease - 2007 refunded	\$ 515,000	\$ -	\$ 65,000	\$ 450,000	\$ 65,000
Capital lease - 2011	522,621	-	68,869	453,752	70,714
Capital lease - 2013	<u>31,414</u>	<u>-</u>	<u>31,414</u>	<u>-</u>	<u>-</u>
Total capital leases	<u>1,069,035</u>	<u>-</u>	<u>165,283</u>	<u>903,752</u>	<u>135,714</u>
Revenue bonds (Series 2011)	<u>750,000</u>	<u>-</u>	<u>65,000</u>	<u>685,000</u>	<u>65,000</u>
Compensated absences	<u>193,330</u>	<u>11,773</u>	<u>-</u>	<u>205,103</u>	<u>195,403</u>
	<u>\$ 2,012,365</u>	<u>\$ 11,773</u>	<u>\$ 230,283</u>	<u>\$ 1,793,855</u>	<u>\$ 396,117</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 of the new debt at June 30, 2016 is \$685,000.

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, 2016 is \$450,000.

(Continued)

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, 2016 is \$453,752.

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 loan has been paid off as of June 30, 2016.

As of June 30, 2016, 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		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 65,000	\$ 21,372	\$ 135,714	\$ 23,185	\$ 245,272
2018	65,000	19,344	142,610	19,697	246,651
2019	65,000	17,316	149,556	16,037	252,909
2020	70,000	15,132	151,554	12,201	248,887
2021	70,000	12,948	158,606	8,312	254,866
2022-2025	350,000	26,988	165,712	4,246	536,945
Totals	\$ 685,000	\$ 113,100	\$ 903,752	\$ 83,678	\$ 1,785,530

NOTE 7 – PENSION PLANS**State Retirement Plan**

The District participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, 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.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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.

(Continued)

NOTE 7 – PENSION PLANS, Continued

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.

Plan Membership

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

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

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

Plan Benefits

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

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

(Continued)

NOTE 7 – PENSION PLANS, Continued

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.

Plan 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 the SCRS and 5 percent for the 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.

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

	SCRS Rates			PORS Rates		
	2014	2015	2016	2014	2015	2016
Employer Rate:						
Retirement	10.45%	10.75%	10.91%	12.44%	13.01%	13.40%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
Total Employer Rate:	10.60%	10.90%	11.06%	12.84%	13.41%	13.80%
Employee Rate:	7.00%	7.50%	8.16%	7.00%	7.84%	8.74%

(Continued)

NOTE 7 – PENSION PLANS, Continued

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2016	\$ 81,273	100%	\$ 292,356	100%
2015	75,981	100%	274,179	100%
2014	\$ 60,789	100%	\$ 234,031	100%

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

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2016	\$ 735,000	\$ 2,128,000	\$ 2,863,000
2015	697,071	2,044,591	2,741,662
2014	\$ 573,485	\$ 1,822,668	\$ 2,396,153

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

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2015, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension	Plan Fiduciary Net Position
			Liability (Asset)	as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	\$ 25,131,828,101	\$ 18,965,482,129	57.00%
PORS	\$ 6,151,321,222	\$ 3,971,824,838	\$ 2,179,496,384	64.60%

At June 30, 2016, the District reported liabilities of approximately \$1,409,894 and \$3,597,041 for its proportionate share of the net pension liabilities for the SCRS and PORS Plans, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities for the Plan used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2014 that was projected forward to the measurement date.

(Continued)

NOTE 7 – PENSION PLANS, Continued

The District's proportions of the net pension liabilities were based on a projection of the District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2015, the District's SCRS proportion was .007 percent and PORS portion was .165 percent, which was equal to its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of approximately \$102,000 and \$320,000 for the SCRS and PORS, respectively. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ -	\$ 24,454
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	346,775	58,995
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
District's Contributions Subsequent to the Measurement Date	81,273	-
Total SCRS	<u>\$ 428,048</u>	<u>\$ 83,449</u>
PORS		
Differences Between Expected and Actual Experience	\$ -	\$ 91,396
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	615,405	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	182,793
District's Contributions Subsequent to the Measurement Date	292,356	-
Total PORS	<u>\$ 907,761</u>	<u>\$ 274,189</u>

Approximately \$81,000 and \$292,000 that were reported as deferred outflows of resources, which represent the District's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized as pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2017	\$ 54,798	\$ 64,576	\$ 119,374
2018	54,798	64,576	119,374
2019	46,194	61,427	107,621
2020	30,458	122,738	153,196
Total	<u>\$ 186,248</u>	<u>\$ 313,317</u>	<u>\$ 499,565</u>

(Continued)

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 future 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 following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actual Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
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. Assumptions used in the July 1, 2014 valuations for the SCRS and PORS are as follows:

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

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 judgement.

(Continued)

NOTE 7 – PENSION PLANS, Continued

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 below. 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 Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30%	0.01%
Short Duration	3%	0.60%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10%	0.08%
Mixed Credit	6%	3.80%	0.23%
Global Fixed Income	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets Debt	6%	4.10%	0.25%
Global Public Equity	31%	7.80%	2.42%
Global Tactical Asset Allocation	10%	5.10%	0.51%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	<u>100%</u>		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			<u>8.75%</u>

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.

(Continued)

NOTE 7 – PENSION PLANS, Continued

The following table presents the sensitivity to the District's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District 's proportionate share of the net pension liability of the SCRS	\$ 1,777,473	\$ 1,409,894	\$ 1,101,816
District 's proportionate share of the net pension liability of the PORS	\$ 4,899,950	\$ 3,597,041	\$ 2,432,228

Plans Fiduciary Net Position

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 the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE 8 - RISK MANAGEMENT

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

All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. 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 9 - INTERGOVERNMENTAL AGREEMENT

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

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2016 through December 6, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information

**TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 5,753,000	\$ 5,753,000	\$ 5,947,696	\$ 194,696
Fees	419,500	419,500	452,746	33,246
Investment earnings	31,000	31,000	18,918	(12,082)
Other	15,000	15,000	17,357	2,357
Total revenues	6,218,500	6,218,500	6,436,717	218,217
EXPENDITURES				
General government				
Personnel	4,583,470	4,583,470	4,407,289	176,181
Maintenance	899,980	899,980	602,442	297,538
Administrative expense	85,240	85,240	65,828	19,412
Occupancy	132,700	132,700	141,164	(8,464)
Safety	71,060	71,060	70,653	407
Insurance	50,400	50,400	49,572	828
Training/certification	68,175	68,175	44,395	23,780
Miscellaneous	37,210	37,210	20,104	17,106
	5,928,235	5,928,235	5,401,447	526,788
CAPITAL OUTLAY	449,870	449,870	271,590	178,280
DEBT SERVICE				
Principal	162,500	162,500	165,703	(3,203)
Interest	30,000	30,000	26,830	3,170
	192,500	192,500	192,533	(33)
Total expenditures	6,570,605	6,570,605	5,865,570	705,035
Revenues over (under)expenditures	(352,105)	(352,105)	571,147	923,252
Other financing sources (uses)				
Excess of revenues over expenditures				
to increase reserves	495,505	495,505	-	(495,505)
Grants received	(55,000)	(55,000)	-	55,000
Proceeds from the sale of capital assets	-	-	33,195	33,195
Insurance proceeds (claims), net	-	-	-	-
Transfers to other funds	(88,400)	(88,400)	(98,900)	(10,500)
Total other financing uses	352,105	352,105	(65,705)	(417,810)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 505,442	\$ 505,442
FUND BALANCE, BEGINNING OF YEAR			5,875,706	
FUND BALANCE, END OF YEAR			\$ 6,381,148	

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the year ended June 30, 2016

	SCRS		
	2016	2015	2014
District's proportion of the net pension liability	0.00743%	0.00632%	0.00632%
District's proportionate share of the net pension liability	<u>\$ 1,409,894</u>	<u>\$ 1,087,134</u>	<u>\$ 1,133,044</u>
District's covered-employee payroll	<u>\$ 697,071</u>	<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	202.3%	189.6%	211.7%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	59.9%	56.4%
	PORS		
	2016	2015	2014
District's proportion of the net pension liability	0.16504%	0.15273%	0.15273%
District's proportionate share of the net pension liability	<u>\$ 3,597,041</u>	<u>\$ 2,924,350</u>	<u>\$ 3,166,051</u>
District's covered-employee payroll	<u>\$ 2,044,591</u>	<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	175.9%	160.4%	194.1%
Plan fiduciary net position as a percentage of the total pension liability	64.6%	67.6%	63.0%

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the year ended June 30, 2016

	SCRS									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 81,273	\$ 75,981	\$ 60,789	\$ 56,720	\$ 44,553	\$ 47,381	\$ 49,195	\$ 46,632	\$ 41,489	\$ 25,236
Contributions in relation to the contractually required contribution	81,273	75,981	60,789	56,720	44,553	47,381	49,195	46,632	41,489	25,236
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 735,000	\$ 697,071	\$ 573,485	\$ 535,097	\$ 467,256	\$ 504,596	\$ 523,906	\$ 496,835	\$ 471,019	\$ 308,147
Contributions as a percentage of covered-employee payroll	11.06%	10.90%	10.60%	10.60%	9.54%	9.39%	9.39%	9.39%	8.81%	8.19%

	PORS									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 292,356	\$ 274,179	\$ 234,031	\$ 200,645	\$ 190,287	\$ 181,978	\$ 168,338	\$ 162,820	\$ 141,493	\$ 90,294
Contributions in relation to the contractually required contribution	292,356	274,179	234,031	200,645	190,287	181,978	168,338	162,820	141,493	90,294
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,128,000	\$ 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
Contributions as a percentage of covered-employee payroll	13.74%	13.41%	12.84%	12.30%	11.76%	11.53%	11.05%	11.05%	10.36%	8.18%

OTHER SUPPLEMENTAL INFORMATION

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 4,177,000	\$ 4,177,000	\$ 4,328,281	\$ 151,281
Fees	2,500	2,500	2,539	39
Investment earnings	13,000	13,000	7,165	(5,835)
Other	15,000	15,000	11,441	(3,559)
Total revenues	4,207,500	4,207,500	4,349,426	141,926
EXPENDITURES				
General government				
Personnel	3,476,590	3,476,590	3,436,343	40,247
Maintenance	161,250	161,250	133,466	27,784
Administrative expense	44,730	44,730	24,677	20,053
Occupancy	89,035	89,035	105,876	(16,841)
Safety	45,380	45,380	51,312	(5,932)
Insurance	25,300	25,300	24,501	799
Training/certification	39,425	39,425	30,379	9,046
Miscellaneous	27,508	27,508	15,941	11,567
	3,909,218	3,909,218	3,822,495	86,723
CAPITAL OUTLAY	237,220	237,220	105,238	131,982
DEBT SERVICE				
Principal	162,500	162,500	165,703	(3,203)
Interest	30,000	30,000	26,830	3,170
	192,500	192,500	192,533	(33)
Total expenditures	4,338,938	4,338,938	4,120,266	218,672
Revenues over (under) expenditures	(131,438)	(131,438)	229,160	360,598
Other financing sources (uses)				
Excess to revenues over expenditures to increase reserves	186,438	186,438	-	(186,438)
Grants received	(55,000)	(55,000)	-	55,000
Total other financing uses	131,438	131,438	-	(131,438)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 229,160	\$ 229,160

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 1,576,000	\$ 1,576,000	\$ 1,619,415	\$ 43,415
Fees	417,000	417,000	450,207	33,207
Investment earnings	18,000	18,000	11,753	(6,247)
Other	-	-	5,916	5,916
Total revenues	2,011,000	2,011,000	2,087,291	76,291
EXPENDITURES				
General government				
Personnel	1,106,880	1,106,880	970,946	135,934
Maintenance	738,730	738,730	468,976	269,754
Administrative expense	40,510	40,510	41,151	(641)
Occupancy	43,665	43,665	35,288	8,377
Safety	25,680	25,680	19,341	6,339
Insurance	25,100	25,100	25,071	29
Training/certification	28,750	28,750	14,016	14,734
Miscellaneous	9,702	9,702	4,163	5,539
	2,019,017	2,019,017	1,578,952	440,065
CAPITAL OUTLAY	212,650	212,650	166,352	46,298
DEBT SERVICE				
Principal	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
Total expenditures	2,231,667	2,231,667	1,745,304	486,363
Revenues over (under) expenditures	(220,667)	(220,667)	341,987	562,654
Other financing sources (uses)				
Excess of revenues over expenditures to increase reserves	309,067	309,067		(309,067)
Proceeds from the sale of capital assets	-	-	33,195	33,195
Transfer to other funds	(88,400)	(88,400)	(98,900)	(10,500)
Total other financing uses	220,667	220,667	(65,705)	(286,372)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 276,282	\$ 276,282



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Taylors Fire and Sewer District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Taylors Fire and Sewer District's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Taylors Fire and Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Love Bakery & Associates, LLC

Laurens, South Carolina

December 7, 2016