

TAYLORS FIRE AND SEWER DISTRICT

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

TAYLORS FIRE AND SEWER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Taylors Fire and Sewer District, as of and for the year ended June 30, 2013, 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, 2013, 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 and the schedule of revenues, expenditures and changes in fund – budget and actual – general fund information on pages 3–11 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013 on our consideration of Taylors Fire and Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taylors Fire and Sewer District's internal control over financial reporting and compliance.



Greenville, South Carolina
October 7, 2013

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, 2013. 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 2013 are as follows:

- On the government-wide basic financial statements, the assets of the District exceeded its liabilities at June 30, 2013 by \$13,749,000. Of this amount, \$5,685,000 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 \$873,000, as revenues of \$5,639,000 exceeded expenses of \$4,766,000.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,980,000, an increase of \$532,000 from the prior year-ending fund balance. Approximately 75% of the total fund balance, or \$4,504,000, is unassigned and thus available for spending at the government's discretion. The unassigned fund balance represents approximately 92% of total General Fund expenditures of the current fiscal year.
- The District's net capital assets decreased by approximately \$140,000 (1%) during the current fiscal year, as depreciation expense of \$766,000 exceeded additions of \$626,000.
- The District's long-term obligations decreased by \$384,000 (15%) during the current fiscal year due to scheduled debt payments and the early retirement of one capital lease.
- The District's governmental fund revenues were \$5,569,000 for 2013, compared to \$5,373,000 in the prior year. The composition of revenues was also similar to the prior fiscal year.
- The District's governmental fund expenditures were \$5,130,000 for 2013, compared to \$4,885,000 in the prior year. The increase of \$245,000 was primarily due to a \$238,000 increase in debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide basic financial statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-wide basic financial statements, continued

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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund basic financial statements, continued

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 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 exceeded liabilities by \$13,749,000 and \$12,876,000 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, 2013 and 2012:

Table 1
Net position

| | <u>June 30,</u> | |
|---|-----------------------------|-----------------------------|
| | <u>2013</u> | <u>2012</u> |
| Assets | | |
| Current and other assets | \$ 6,596,000 | \$ 5,735,000 |
| Capital assets, net | <u>10,401,000</u> | <u>10,545,000</u> |
| Total assets | <u>\$ 16,997,000</u> | <u>\$ 16,280,000</u> |
| Liabilities | | |
| Current liabilities | \$ 1,101,000 | \$ 873,000 |
| Long-term liabilities | <u>2,147,000</u> | <u>2,531,000</u> |
| Total liabilities | <u>\$ 3,248,000</u> | <u>\$ 3,404,000</u> |
| Net position | | |
| Invested in capital assets, net of related debt | \$ 7,963,000 | \$ 7,541,000 |
| Restricted | 101,000 | 123,000 |
| Unrestricted | <u>5,685,000</u> | <u>5,212,000</u> |
| Total net position | <u>\$ 13,749,000</u> | <u>\$ 12,876,000</u> |

The District's total assets at June 30, 2013 increased by \$717,000 from the prior year, primarily due to an increase in cash and cash equivalents. Total liabilities at June 30, 2013 decreased by \$156,000 due to repayment of debt.

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

Total assets exceeded total liabilities (net position) by \$13,749,000 at the end of the year. The largest portion of the District's net position (58%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) net of any related outstanding debt (including capital leases) used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any outstanding debt must be provided from other sources, since the capital assets themselves (generally) cannot be used to settle these liabilities.

The District has \$101,000 (<1%) restricted for the payment of debt service with the remaining balance being unrestricted net position of \$5,685,000 (41%) which may be used to meet the ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Table 2 shows the changes in net assets for the District for 2013 and 2012:

Table 2
Changes in net position

| | <u>For the year ended June 30,</u> | |
|----------------------------------|---|-----------------------------|
| | <u>2013</u> | <u>2012</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 281,000 | \$ 300,000 |
| Capital grants and contributions | 19,000 | - |
| General revenues: | | |
| Property taxes | 5,301,000 | 5,041,000 |
| Other | <u>38,000</u> | <u>111,000</u> |
| Total revenues | <u>5,639,000</u> | <u>5,452,000</u> |
| Program expenses | | |
| Fire department | 3,207,000 | 2,845,000 |
| Sewer department | 1,491,000 | 1,633,000 |
| Interest and fiscal charges | <u>68,000</u> | <u>101,000</u> |
| Total program expenses | <u>4,766,000</u> | <u>4,579,000</u> |
| Change in net position | 873,000 | 873,000 |
| Net position, beginning of year | <u>12,876,000</u> | <u>12,003,000</u> |
| Net position, end of year | <u>\$ 13,749,000</u> | <u>\$ 12,876,000</u> |

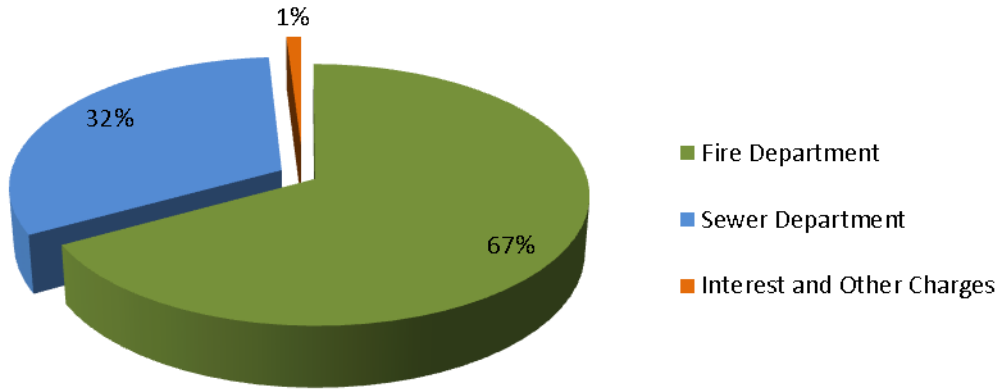
Governmental activities

The District's net position increased during 2013 by \$873,000, as revenues of \$5,639,000 exceeded expenses of \$4,766,000. This increase was the same as the prior year. Key elements of this change were as follows:

- Revenues increased by \$187,000 (3%) from the prior year. This increase was due to an increase in property taxes collected of \$260,000 which was primarily due to a millage increase and improved collections of the taxes levied. There was a decrease in charges for services of \$19,000 and other general revenues of \$73,000 which was primarily due to gain from sale of capital assets in the prior year. Additionally, \$19,000 was received for contributed sewer lines.
- Expenses increased by \$187,000 (4%) from the prior year. This increase was primarily driven by an increase in personnel costs.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Figure 2
Program Expenses by Function
Governmental Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds

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

For the year ended June 30, 2013, the District's governmental funds reported a combined fund balance of \$5,980,000 as compared to the prior year amount of \$5,448,000. At June 30, 2013, the District's unassigned fund balance for all governmental funds was \$4,504,000, which represents only the General Fund. The District has assigned fund balance of \$345,000 for sewer maintenance. The District also has committed fund balance of \$746,000 for capital assets, facility improvements and sewer projects. The District has restricted fund balances of \$104,000 for debt service, \$126,000 for capital projects and \$64,000 for reserve millage. The District also has nonspendable fund balance of \$92,000 for prepaid items. The fund balance for the District's General Fund increased by \$554,000 or 11% during the current fiscal year, as revenues and proceeds from capital leases of \$5,530,000 exceeded expenses, debt retirement and transfers out of \$4,976,000, as previously discussed.

The Debt Service Fund is shown in the accompanying basic financial statements of the District. This fund is used to account for debt service related to the State Revolving Fund Loan. The District's Debt Service Fund balance decreased in fiscal 2013 by \$22,000 to \$104,000, as principal and interest payments of \$244,000 exceeded property tax revenues, debt issues, transfers in and investment earnings of \$222,000. The entire fund balance is reserved for the repayment of this loan.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, Continued

General Fund budgetary highlights

The District's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only budgeted fund is the General Fund. There were no budget revisions during the course of fiscal year 2013.

For the year ended June 30, 2013, the following had significant variances in budget to actual:

- Personnel costs were lower due to open positions.
- Maintenance costs were lower due to less sewer line repairs performed than originally planned.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of 2013 and 2012, the District had net capital assets of approximately \$10,379,000 and \$10,519,000, respectively, as detailed in Table 3:

Table 3
Capital Assets, Net of Depreciation

| <u>Capital assets</u> | <u>June 30,</u> | |
|-------------------------------------|-----------------------------|-----------------------------|
| | <u>2013</u> | <u>2012</u> |
| Land | \$ 304,000 | \$ 304,000 |
| Construction in progress | 92,000 | - |
| Buildings and building improvements | 1,605,000 | 1,652,000 |
| Vehicles | 1,155,000 | 1,289,000 |
| Equipment | 389,000 | 294,000 |
| Infrastructure | <u>6,834,000</u> | <u>6,980,000</u> |
| Totals | <u>\$ 10,379,000</u> | <u>\$ 10,519,000</u> |

The net decrease in the District's net capital assets was \$140,000, or 1%. Major capital asset events during the current fiscal year included:

- Sewer line infrastructure improvements of \$186,000.
- Sewer equipment and vehicle purchases of \$139,000.
- Fire equipment and vehicle purchases of \$209,000.
- Building and office improvements of \$92,000.
- Depreciation expense of \$766,000.

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

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

Debt Administration

At the end of 2013 and 2012, the District had outstanding debt (State Revolving Fund loan, capital leases and sewer revenue bonds) of \$2,548,000 and \$2,999,000 respectively. During 2013 and 2012, the District made principal and interest payments of \$629,000 and \$2,056,000, respectively. For 2012, the payment amounts include repayment of revenue bonds and a capital lease through the issuance of refunding bonds and execution of a new capital lease.

| <u>Long-Term Debt</u> | <u>June 30,</u> | |
|---------------------------|----------------------------|----------------------------|
| | <u>2013</u> | <u>2012</u> |
| Capital leases | \$ 1,597,000 | \$ 1,838,000 |
| State Revolving Fund loan | 76,000 | 226,000 |
| Sewer revenue bonds | <u>875,000</u> | <u>935,000</u> |
| | <u>\$ 2,548,000</u> | <u>\$ 2,999,000</u> |

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

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

ECONOMIC FACTORS

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

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

FISCAL YEAR 2012-2013 BUDGET

Many factors were considered by the District's administration during the process of developing the fiscal year 2013-2014 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, 2013**

ASSETS

| | Governmental activities |
|--------------------------------------|------------------------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 6,203,950 |
| Investments | 43,622 |
| Investments held by county treasurer | 79,027 |
| Property taxes receivable, net | 111,454 |
| Due from county treasurer | 64,953 |
| Interest receivable | 261 |
| Prepaid items | 92,471 |
| Total current assets | 6,595,738 |
| OTHER ASSETS | |
| Bond issue costs, net | 22,379 |
| Nondepreciable capital assets | 396,347 |
| Depreciable capital assets, net | 9,982,559 |
| Total noncurrent assets | 10,401,285 |
| Total assets | \$ 16,997,023 |

LIABILITIES AND NET POSITION

| | |
|---|----------------------|
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | \$ 528,318 |
| Accrued interest | 25,697 |
| Current portion of long term debt | 136,125 |
| Current portion of capital leases payable | 261,995 |
| Current portion of compensated absences | 149,199 |
| Total current liabilities | 1,101,334 |
| LONG TERM LIABILITIES | |
| Total liabilities | 2,146,937 |
| NET POSITION | |
| Net investment in capital assets | 7,962,949 |
| Restricted for: | |
| Debt service | 100,855 |
| Unrestricted | 5,684,948 |
| Total net position | \$ 13,748,752 |

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, 2013

| | Program revenues | | | | Net (expense) revenue and changes in net position | |
|--------------------------------|----------------------------|--------------------------|------------------------------------|----------------------------------|---|---------------------------|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | Primary government | |
| | | | | | Governmental activities | Total |
| PRIMARY GOVERNMENT | | | | | | |
| Governmental activities | | | | | | |
| Fire department | \$ 3,207,670 | \$ 2,487 | \$ - | \$ - | \$ (3,205,183) | \$ (3,205,183) |
| Sewer department | 1,491,099 | 278,683 | - | 18,645 | (1,193,771) | (1,193,771) |
| Interest expense | 67,706 | - | - | - | (67,706) | (67,706) |
| Total governmental activities | <u>\$ 4,766,475</u> | <u>\$ 281,170</u> | <u>\$ -</u> | <u>\$ 18,645</u> | <u>(4,466,660)</u> | <u>(4,466,660)</u> |

GENERAL REVENUES

Property taxes received for:

| | | |
|----------------------------------|-----------------------------|-----------------------------|
| General purposes | 5,170,961 | 5,170,961 |
| Debt purposes | 130,486 | 130,486 |
| Investment earnings | 32,857 | 32,857 |
| Miscellaneous income | 3,388 | 3,388 |
| Gain from sale of capital assets | 1,718 | 1,718 |
| Total general revenues | <u>5,339,410</u> | <u>5,339,410</u> |
| Change in net position | 872,750 | 872,750 |
| Net position beginning of year | 12,876,002 | 12,876,002 |
| Net position end of year | <u>\$ 13,748,752</u> | <u>\$ 13,748,752</u> |

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

TAYLORS FIRE AND SEWER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

| | <u>General fund</u> | <u>Debt service fund</u> | <u>Capital projects fund</u> | <u>Total governmental funds</u> |
|--------------------------------------|----------------------------|----------------------------------|--------------------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 6,049,980 | \$ 21,828 | \$ 132,142 | \$ 6,203,950 |
| Investments | 43,622 | - | - | 43,622 |
| Investments held by county treasurer | - | 79,027 | - | 79,027 |
| Property taxes receivable, net | 108,451 | 3,003 | - | 111,454 |
| Due from county treasurer | 64,953 | - | - | 64,953 |
| Due from other funds | 6,250 | - | - | 6,250 |
| Prepaid items | 92,471 | - | - | 92,471 |
| Total assets | <u><u>\$ 6,365,727</u></u> | <u><u>\$ 103,858</u></u> | <u><u>\$ 132,142</u></u> | <u><u>\$ 6,601,727</u></u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 372,270 | \$ - | \$ - | \$ 372,270 |
| Accrued expenses | 140,476 | - | - | 140,476 |
| Due to other funds | - | - | 6,250 | 6,250 |
| Refundable deposits | 15,572 | - | - | 15,572 |
| Unearned revenue | 86,949 | 173 | - | 87,122 |
| Total liabilities | <u>615,267</u> | <u>173</u> | <u>6,250</u> | <u>621,690</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | 92,471 | - | - | 92,471 |
| Restricted for: | | | | |
| Reserve millage | 63,598 | - | - | 63,598 |
| Debt service | - | 103,685 | - | 103,685 |
| Capital projects | - | - | 125,892 | 125,892 |
| Committed for: | | | | |
| Sewer projects | 617,149 | - | - | 617,149 |
| Facility improvements | 58,622 | - | - | 58,622 |
| Capital assets | 70,000 | - | - | 70,000 |
| Assigned for: | | | | |
| Sewer maintenance | 344,540 | - | - | 344,540 |
| Unassigned | 4,504,080 | - | - | 4,504,080 |
| Total fund balances | <u>5,750,460</u> | <u>103,685</u> | <u>125,892</u> | <u>5,980,037</u> |
| Total liabilities and fund balances | <u><u>\$ 6,365,727</u></u> | <u><u>\$ 103,858</u></u> | <u><u>\$ 132,142</u></u> | <u><u>\$ 6,601,727</u></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, 2013**

| | | |
|---|---------------------|-----------------------------|
| Total governmental funds - fund balance | | \$ 5,980,037 |
| <i>Amounts reported for governmental activities in the statement of net position are different because of the following:</i> | | |
| Certain assets are not available to pay for current year expenditures and, therefore, are deferred in the funds: | | |
| Property taxes receivable | \$ 87,122 | |
| Interest receivable | <u>261</u> | 87,383 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | | |
| Cost of capital assets | 22,827,523 | |
| Accumulated depreciation | <u>(12,448,617)</u> | 10,378,906 |
| Bond issuance costs are amortized over the lives of the bonds; however, in governmental funds, bond issuance costs are expenditures the year they are incurred. | | |
| Bond issuance costs | 27,351 | |
| Accumulated amortization expense | <u>(4,972)</u> | 22,379 |
| 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. | | |
| | | (25,697) |
| Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of the following: | | |
| Long-term debt (including capital leases) | (2,528,865) | |
| Compensated absences | <u>(165,391)</u> | <u>(2,694,256)</u> |
| Net position - governmental activities | | <u>\$ 13,748,752</u> |

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

TAYLORS FIRE AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended June 30, 2013

| | <u>General fund</u> | <u>Debt service fund</u> | <u>Capital projects fund</u> | <u>Total governmental funds</u> |
|---|----------------------------|--------------------------|------------------------------|---------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 5,119,098 | \$ 131,335 | \$ - | \$ 5,250,433 |
| Fees | 281,170 | - | - | 281,170 |
| Investment earnings | 32,244 | 810 | - | 33,054 |
| Other | 4,925 | - | - | 4,925 |
| Total revenues | <u>5,437,437</u> | <u>132,145</u> | <u>-</u> | <u>5,569,582</u> |
| EXPENDITURES | | | | |
| Fire department | 2,887,909 | - | - | 2,887,909 |
| Sewer department | 1,213,703 | - | - | 1,213,703 |
| Capital outlay | 400,274 | - | - | 400,274 |
| Debt service: | | | | |
| Principal | 333,519 | 209,714 | - | 543,233 |
| Interest | 51,309 | 34,056 | - | 85,365 |
| Total expenditures | <u>4,886,714</u> | <u>243,770</u> | <u>-</u> | <u>5,130,484</u> |
| Excess (deficiency) of revenues over expenditures | <u>550,723</u> | <u>(111,625)</u> | <u>-</u> | <u>439,098</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital lease proceeds | 93,000 | - | - | 93,000 |
| Proceeds from sale of capital assets | 1,718 | - | - | 1,718 |
| Insurance proceeds (claims), net | (1,537) | - | - | (1,537) |
| Transfers from other funds | - | 89,752 | - | 89,752 |
| Transfers to other funds | (89,752) | - | - | (89,752) |
| Total other financing sources | <u>3,429</u> | <u>89,752</u> | <u>-</u> | <u>93,181</u> |
| Net change in fund balances | 554,152 | (21,873) | - | 532,279 |
| Fund balances at beginning of year | 5,196,308 | 125,558 | 125,892 | 5,447,758 |
| Fund balances at end of year | <u><u>\$ 5,750,460</u></u> | <u><u>\$ 103,685</u></u> | <u><u>\$ 125,892</u></u> | <u><u>\$ 5,980,037</u></u> |

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

TAYLORS FIRE AND SEWER DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

| | | |
|--|------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 532,279 |
| Amounts reported for governmental activities in the statement of activities are different because of the following: | | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This amount represents the change in: | | |
| Unearned revenue | \$ 51,014 | |
| Interest receivable | <u>(197)</u> | 50,817 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. | | |
| Capital asset additions (including \$18,645 in sewer infrastructure contributed from developers) | 626,038 | |
| Depreciation expense | <u>(766,182)</u> | (140,144) |
| 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. | | |
| | | (33,098) |
| Bond issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the statement of activities. | | |
| Amortization expense | | (4,996) |
| 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. | | |
| Proceeds from capital lease | (93,000) | |
| Repayment of long term debt | 209,714 | |
| Repayment of leases payable | <u>333,519</u> | 450,233 |
| Interest on long term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due and payable, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. | | |
| | | <u>17,659</u> |
| Change in net position | \$ | <u>872,750</u> |

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

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Reporting entity

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District does not have any component units.

Measurement focus, basis of accounting, and basis of presentation

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

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

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

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

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

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

The **governmental fund basic financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

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

Budgetary information

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

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

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

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

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

Cash and cash equivalents

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

Investments

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

- (1) Obligations of the United States of America and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and loan associations to the extent that the same are insured by an agency of the federal government;
- (4) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent, or custodian, of a market value not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (5) Collateralized repurchase agreements when collateralized by securities as set forth in (1) and (2) above and held by the governmental entity or a third party as escrow agent or custodian; and

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

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.

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

Capital assets

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

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

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

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

Refundable deposits

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

Compensated absences

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

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

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

Accrued liabilities and long-term obligations

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

Expenditures over appropriations

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

Interfund transactions

Transfers of \$89,752 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. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash 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 nonspendable, 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.

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

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.

Recent accounting pronouncements

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, to provide reporting guidance for deferred outflows and inflows of resources. Implementation of this Standard did not have an impact on the financial statements.

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

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following are the components of the District’s cash and investments at June 30, 2013:

| | |
|--|----------------------------|
| Cash | \$ 473,906 |
| Money market funds | <u>5,730,044</u> |
| Cash and cash equivalents | 6,203,950 |
| Investments (including held by County Treasurer) | <u>122,649</u> |
| | <u>\$ 6,326,599</u> |

As of June 30, 2013, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Investment maturities (in years)</u> | |
|--|---|--------------------------|
| | <u>Fair value</u> | <u>Less than 1</u> |
| Certificates of deposit | \$ 43,622 | \$ 43,622 |
| Cash and investments held by the Greenville County Treasurer | <u>79,027</u> | <u>79,027</u> |
| | <u>\$ 122,649</u> | <u>\$ 122,649</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, 2013, none of the District’s bank balances of \$6,296,884 (which has a carrying value of \$6,247,572) 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, 2012, based on an assessed value of approximately \$63.6 million at rates of 48.1 mills, 19.0 mills, and 1.9 mills for the General Fund – Fire Department, General Fund – Sewer Department and Debt Service Fund, respectively. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

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

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, 2013 of \$108,451 and \$3,003 for the General Fund and Debt Service Fund, respectively (net of allowances for uncollectible portion of \$299,364 and \$10,995, respectively). Estimated delinquent property taxes of \$21,502 in the General Fund and \$2,829 in the Debt Service Fund have been recognized as revenue at June 30, 2013 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 \$86,949 for the General Fund and \$173 for the Debt Service Fund has been recorded by the District as unearned revenue at June 30, 2013 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, 2013 was as follows:

| | <u>Balance June 30, 2012</u> | <u>Transfers/ Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance June 30, 2013</u> |
|---|----------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 304,000 | \$ - | \$ - | \$ 304,000 |
| Construction in progress | - | 92,347 | - | 92,347 |
| Total capital assets not being depreciated | <u>304,000</u> | <u>92,347</u> | <u>-</u> | <u>396,347</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,597,391 | 4,734 | - | 2,602,125 |
| Vehicles | 3,434,561 | 124,439 | (13,211) | 3,545,789 |
| Equipment | 1,022,782 | 218,490 | - | 1,241,272 |
| Infrastructure | <u>14,855,962</u> | <u>186,028</u> | <u>-</u> | <u>15,041,990</u> |
| Total capital assets being depreciated | 21,910,696 | 533,691 | (13,211) | 22,431,176 |
| Less accumulated depreciation | <u>(11,695,646)</u> | <u>(766,182)</u> | <u>13,211</u> | <u>(12,448,617)</u> |
| Total capital assets being depreciated, net | <u>10,215,050</u> | <u>(232,491)</u> | <u>-</u> | <u>9,982,559</u> |
| Total governmental activities capital assets, net | <u>\$ 10,519,050</u> | <u>\$ (140,144)</u> | <u>\$ -</u> | <u>\$ 10,378,906</u> |

Construction in progress at June 30, 2013 consists of fire station remodeling, sewer shop additions and a generator. No construction commitments existed at June 30, 2013.

During the year ended June 30, 2013, the District recorded \$18,645 in sewer infrastructure that was contributed by developers.

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

| | |
|--|-------------------|
| Fire department | \$ 296,177 |
| Sewer department | <u>470,005</u> |
| Total depreciation expense – governmental activities | <u>\$ 766,182</u> |

Included in the above totals is equipment under capital leases as follows at June 30, 2013 (see Note 6).

| | |
|-------------------------------|---------------------|
| Capitalized cost | \$ 2,259,678 |
| Less accumulated depreciation | <u>(420,204)</u> |
| | <u>\$ 1,839,474</u> |

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The significant components of accounts payable and accrued expenses at June 30, 2013 consisted of the following:

| | | |
|---|--|--------------------------|
| Governmental activities: | | |
| Accounts payable | | \$ 372,270 |
| Accrued salaries and fringe benefits | | 140,476 |
| Refundable deposits | | <u>15,572</u> |
| Total accounts payable and accrued expenses – governmental activities | | <u>\$ 528,318</u> |

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term debt and compensated absences for the year ending June 30, 2013 are as follows:

| | <u>Balance</u> <u>June 30, 2012</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Due within</u> <u>one year</u> |
|-------------------------------|--|--------------------------|--------------------------|--|--------------------------------------|
| Capital leases | | | | | |
| Capital lease - 2007 refunded | \$ 712,000 | \$ - | \$ 67,000 | \$ 645,000 | \$ 65,000 |
| Capital lease - 2010 | 103,594 | - | 103,594 | - | - |
| Capital lease - 2011 | 718,630 | - | 63,616 | 655,014 | 65,321 |
| Capital lease - 2012 | 303,275 | - | 99,309 | 203,966 | 101,086 |
| Capital lease - 2013 | <u>-</u> | <u>93,000</u> | <u>-</u> | <u>93,000</u> | <u>30,588</u> |
| Total capital leases | <u>1,837,499</u> | <u>93,000</u> | <u>333,519</u> | <u>1,596,980</u> | <u>261,995</u> |
| Revenue bonds (Series 2011) | 935,000 | - | 60,000 | 875,000 | 60,000 |
| Deferred gain on refunding | <u>(20,844)</u> | <u>-</u> | <u>(1,604)</u> | <u>(19,240)</u> | <u>-</u> |
| Net revenue bonds | <u>914,156</u> | <u>-</u> | <u>58,396</u> | <u>855,760</u> | <u>60,000</u> |
| State revolving fund loan | <u>225,839</u> | <u>-</u> | <u>149,714</u> | <u>76,125</u> | <u>76,125</u> |
| Compensated absences | <u>132,293</u> | <u>82,533</u> | <u>49,435</u> | <u>165,391</u> | <u>149,199</u> |
| | <u>\$ 3,109,787</u> | <u>\$ 175,533</u> | <u>\$ 591,064</u> | <u>\$ 2,694,256</u> | <u>\$ 547,319</u> |

The state revolving fund loan consists of a South Carolina water pollution control revolving fund loan that originated March 1, 1994 in the amount of \$2,102,580, at an original interest rate of 4.25%. The interest rate was amended on April 30, 2012 to 2.25%. Proceeds were used for the construction of sewer lines. Payments consist of 73 quarterly installments of \$39,147 beginning March 1, 1994, and ending March 1, 2012, and 7 quarterly installments of \$38,384 beginning June 1, 2012, and ending December 1, 2013. The principal amount outstanding at June 30, 2013, is \$76,125.

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, 2013 is \$875,000; the old debt was defeased and the liability has been removed from the District's statement of net position.

NOTE 6 - LONG-TERM LIABILITIES, Continued

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

Capital lease- 2007 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, 2013 is \$645,000; the old debt was defeased and the liability has been removed from the District's statement of net position.

Capital lease- 2010: Originated October 1, 2009, in the amount of \$160,000 with an interest rate of 7%. Payments consist of 5 annual installments ranging from \$30,063, beginning December 1, 2011, to \$50,241 ending October 1, 2014. The proceeds were used for the purchase of air packs for the fire department. During the year, this debt was paid off and the principal amount outstanding at June 30, 2013 is \$0.

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, 2013 is \$655,014.

Capital lease- 2012: Originated January 27, 2012, in the amount of \$303,275 with an interest rate of 1.75%. Payments consist of 3 annual installments of \$104,705, beginning January 27, 2013, and ending January 27, 2015. The proceeds were used for the purchase of a Vac-con sewer truck for the sewer department. The principal amount outstanding at June 30, 2013 is \$203,966.

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

As of June 30, 2013, the future minimum lease payments under capital lease and the annual requirements to amortize the loan payable outstanding are as follows:

| Year ending June 30, | State revolving loan | | Revenue bond | | Capital lease obligation | | Totals |
|-------------------------|----------------------|---------------|-------------------|-------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2014 | \$ 76,125 | \$ 643 | \$ 60,000 | \$ 27,300 | \$ 261,995 | \$ 38,222 | \$ 464,285 |
| 2015 | - | - | 65,000 | 25,428 | 265,949 | 32,675 | 389,052 |
| 2016 | - | - | 65,000 | 23,400 | 165,283 | 27,045 | 280,728 |
| 2017 | - | - | 65,000 | 21,372 | 135,715 | 23,186 | 245,273 |
| 2018 | - | - | 65,000 | 19,344 | 142,610 | 19,698 | 246,652 |
| 2019-2023 | - | - | 380,000 | 64,116 | 625,428 | 40,796 | 1,110,340 |
| 2024-2025 | - | - | 175,000 | 8,268 | - | - | 183,268 |
| Totals | <u>\$ 76,125</u> | <u>\$ 643</u> | <u>\$ 875,000</u> | <u>\$ 189,228</u> | <u>\$ 1,596,980</u> | <u>\$ 181,622</u> | <u>\$ 2,919,598</u> |

NOTE 7 - EMPLOYEE BENEFITS

Defined Benefit Pension Plan

Substantially all District employees are covered by a retirement plan through the South Carolina Retirement System ("SCRS") or the South Carolina Police Officers Retirement System ("PORS"), cost-sharing multiple-employer defined benefit pension plans administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally all employees are required to participate in and contribute to the SCRS or PORS. The SCRS and PORS plans provide retirement and disability benefits, survivor options, annual benefit adjustments, death benefits and incidental benefits to eligible employees and retired members.

PEBA maintains five independent benefit plans and issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained by writing the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960. The Retirement Division and the five pension plans are also included in the State of South Carolina's CAFR.

Employees participating in the SCRS plan were required to contribute 7.0 percent of their annual covered salary effective July 1, 2012. The District is required to contribute at an actuarially determined rate of 10.45 percent of annual covered payroll. Included in the total SCRS employer contribution rate is a base contribution of 10.45 percent and .15 percent for the incidental death program.

Effective July 1, 2012, employees participating in the PORS were required to contribution 7.0 percent of earnable compensation. The District is required to contribute at an actuarially determined rate of 12.3 percent. Included in the total PORS employer compensation rate is a base retirement contribution rate of 11.90 percent, .20 percent for the incidental death program and .20 percent for the accidental death program.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon retirement of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

The annual covered payroll for the year ended June 30, 2013 totaled \$2,166,360. The District contributed \$250,038, \$234,840, and \$229,360 in total to the SCRS and the PORS for the year ended June 30, 2013, 2012, and 2011, respectively; all amounts were 100 percent of the required contributions. Employees contributed \$151,645, \$135,520, and \$135,388 in total to the SCRS and the PORS for the year ended June 30, 2013, 2012, and 2011, respectively; all amounts were 100 percent of the required contributions. District contributions as a percentage of statewide contributions were not available for the years ending June 30, 2013, 2012 and 2011.

NOTE 7 - EMPLOYEE BENEFITS, Continued

Deferred Compensation Plan

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

Post-employment Health Care Benefits

Two retirees receive health insurance benefits under a now terminated plan. The District pays 100 percent of the premiums for supplemental insurance for these two retirees. The District paid approximately \$7,300 of costs for these retirees during the year ended June 30, 2013. The District does not provide any other post-employment benefits for retirees.

NOTE 8 - RISK MANAGEMENT

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

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

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

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

NOTE 9 - INTERGOVERNMENTAL AGREEMENT

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

Required Supplemental Information

**TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2013**

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|------------------|---------------------|-------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 5,170,000 | \$ 5,170,000 | \$ 5,119,098 | \$ (50,902) |
| Fees | 325,500 | 325,500 | 281,170 | (44,330) |
| Investment earnings | 55,000 | 55,000 | 32,244 | (22,756) |
| Other | - | - | 4,925 | 4,925 |
| Total revenues | <u>5,550,500</u> | <u>5,550,500</u> | <u>5,437,437</u> | <u>(113,063)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Personnel | 3,415,040 | 3,415,040 | 3,219,603 | 195,437 |
| Maintenance | 829,470 | 829,470 | 530,004 | 299,466 |
| Administrative expense | 124,065 | 124,065 | 114,069 | 9,996 |
| Occupancy | 111,240 | 111,240 | 106,889 | 4,351 |
| Safety | 54,155 | 54,155 | 51,476 | 2,679 |
| Insurance | 46,640 | 46,640 | 35,342 | 11,298 |
| Training/certification | 41,300 | 41,300 | 38,032 | 3,268 |
| Miscellaneous | 4,260 | 4,260 | 6,197 | (1,937) |
| | <u>4,626,170</u> | <u>4,626,170</u> | <u>4,101,612</u> | <u>524,558</u> |
| CAPITAL OUTLAY | <u>782,240</u> | <u>782,240</u> | <u>400,274</u> | <u>381,966</u> |
| DEBT SERVICE | | | | |
| Principal | 282,798 | 282,798 | 333,519 | (50,721) |
| Interest | 49,332 | 49,332 | 51,309 | (1,977) |
| | <u>332,130</u> | <u>332,130</u> | <u>384,828</u> | <u>(52,698)</u> |
| Total expenditures | <u>5,740,540</u> | <u>5,740,540</u> | <u>4,886,714</u> | <u>853,826</u> |
| Revenues over (under)expenditures | <u>(190,040)</u> | <u>(190,040)</u> | <u>550,723</u> | <u>740,763</u> |
| Other financing sources (uses) | | | | |
| Excess of revenues over expenditures to increase reserves | 165,000 | 165,000 | - | (165,000) |
| Contingency | (30,000) | (30,000) | - | 30,000 |
| Capital lease proceeds | 147,750 | 147,750 | 93,000 | (54,750) |
| Gain from sale of capital assets | - | - | 1,718 | 1,718 |
| Insurance proceeds (claims), net | - | - | (1,537) | (1,537) |
| Transfers to other funds | (92,710) | (92,710) | (89,752) | 2,958 |
| Total other financing uses | <u>190,040</u> | <u>190,040</u> | <u>3,429</u> | <u>(186,611)</u> |
| Revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>554,152</u> | <u>\$ 554,152</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>5,196,308</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 5,750,460</u> | |

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - FIRE DEPARTMENT
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|------------------|-------------------|-------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 3,760,000 | \$ 3,760,000 | \$ 3,699,829 | \$ (60,171) |
| Fees | 3,500 | 3,500 | 2,487 | (1,013) |
| Investment earnings | 15,000 | 15,000 | 13,184 | (1,816) |
| Other | - | - | 2,371 | 2,371 |
| Total revenues | <u>3,778,500</u> | <u>3,778,500</u> | <u>3,717,871</u> | <u>(60,629)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Personnel | 2,674,846 | 2,674,846 | 2,553,817 | 121,029 |
| Maintenance | 95,682 | 95,682 | 119,585 | (23,903) |
| Administrative expense | 62,932 | 62,932 | 53,666 | 9,266 |
| Occupancy | 87,040 | 87,040 | 76,507 | 10,533 |
| Safety | 45,000 | 45,000 | 40,356 | 4,644 |
| Insurance | 24,780 | 24,780 | 16,569 | 8,211 |
| Training/certification | 27,000 | 27,000 | 23,629 | 3,371 |
| Miscellaneous | 3,300 | 3,300 | 3,780 | (480) |
| | <u>3,020,580</u> | <u>3,020,580</u> | <u>2,887,909</u> | <u>132,671</u> |
| CAPITAL OUTLAY | <u>648,240</u> | <u>648,240</u> | <u>233,088</u> | <u>415,152</u> |
| DEBT SERVICE | | | | |
| Principal | 183,489 | 183,489 | 234,210 | (50,721) |
| Interest | 43,941 | 43,941 | 45,913 | (1,972) |
| | <u>227,430</u> | <u>227,430</u> | <u>280,123</u> | <u>(52,693)</u> |
| Total expenditures | <u>3,896,250</u> | <u>3,896,250</u> | <u>3,401,120</u> | <u>495,130</u> |
| Revenues over (under) expenditures | <u>(117,750)</u> | <u>(117,750)</u> | <u>316,751</u> | <u>434,501</u> |
| Other financing sources (uses) | | | | |
| Contingency | (30,000) | (30,000) | - | 30,000 |
| Capital lease proceeds | 147,750 | 147,750 | 93,000 | (54,750) |
| Gain from sale of capital assets | - | - | 1,718 | 1,718 |
| Insurance proceeds (claims), net | - | - | (537) | (537) |
| Total other financing uses | <u>117,750</u> | <u>117,750</u> | <u>94,181</u> | <u>(23,569)</u> |
| Revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 410,932</u> | <u>\$ 410,932</u> |

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - SEWER DEPARTMENT
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|------------------|-------------------|-------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,410,000 | \$ 1,410,000 | \$ 1,419,269 | \$ 9,269 |
| Fees | 322,000 | 322,000 | 278,683 | (43,317) |
| Investment earnings | 40,000 | 40,000 | 19,060 | (20,940) |
| Other | - | - | 2,554 | 2,554 |
| Total revenues | <u>1,772,000</u> | <u>1,772,000</u> | <u>1,719,566</u> | <u>(52,434)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Personnel | 740,194 | 740,194 | 665,786 | 74,408 |
| Maintenance | 733,788 | 733,788 | 410,419 | 323,369 |
| Administrative expense | 61,133 | 61,133 | 60,403 | 730 |
| Occupancy | 24,200 | 24,200 | 30,382 | (6,182) |
| Safety | 9,155 | 9,155 | 11,120 | (1,965) |
| Insurance | 21,860 | 21,860 | 18,773 | 3,087 |
| Training/certification | 14,300 | 14,300 | 14,403 | (103) |
| Miscellaneous | 960 | 960 | 2,417 | (1,457) |
| | <u>1,605,590</u> | <u>1,605,590</u> | <u>1,213,703</u> | <u>391,887</u> |
| CAPITAL OUTLAY | <u>134,000</u> | <u>134,000</u> | <u>167,186</u> | <u>(33,186)</u> |
| DEBT SERVICE | | | | |
| Principal | 99,309 | 99,309 | 99,309 | - |
| Interest | 5,391 | 5,391 | 5,396 | (5) |
| | <u>104,700</u> | <u>104,700</u> | <u>104,705</u> | <u>(5)</u> |
| Total expenditures | <u>1,844,290</u> | <u>1,844,290</u> | <u>1,485,594</u> | <u>358,696</u> |
| Revenues over (under) expenditures | <u>(72,290)</u> | <u>(72,290)</u> | <u>233,972</u> | <u>306,262</u> |
| Other financing sources (uses) | | | | |
| Excess of revenues over expenditures to increase reserves | 165,000 | 165,000 | - | (165,000) |
| Insurance proceeds (claims), net | - | - | (1,000) | (1,000) |
| Transfer to other funds | (92,710) | (92,710) | (89,752) | 2,958 |
| Total other financing uses | <u>72,290</u> | <u>72,290</u> | <u>(90,752)</u> | <u>(163,042)</u> |
| Revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 143,220</u> | <u>\$ 143,220</u> |



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Taylors Fire and Sewer District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Taylors Fire and Sewer District's basic financial statements, and have issued our report thereon dated October 7, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Greenville, South Carolina
October 7, 2013