

TAYLORS FIRE AND SEWER DISTRICT

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

TAYLORS FIRE AND SEWER DISTRICT

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LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and of Taylors Fire and Sewer District (the "District"), as of and for the year ended June 30, 2019, 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, 2019, 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

Also discussed in Note 10 to the financial statements, the District recorded a prior period adjustment to the net position due to previously unrecorded depreciation expense.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of District's proportionate share of the net pension liability, the schedule of District's contributions and schedule of revenues, expenditures and changes in fund – budget and actual – general fund information on pages 3–11 and 39–41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Opinions

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2019 on our consideration of Taylors Fire and Sewer District's internal control over financial reporting and on out tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Taylors Fire and Sewer District's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
November 11, 2019

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Taylors Fire and Sewer District's ("District") financial performance provides an overview of the District's financial activities for the fiscal year ("FY") ended June 30, 2019. 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 FY 2019 are as follows:

- On the government-wide basic financial statements, the assets and deferred outflows of the District exceed its liabilities and deferred inflows at June 30, 2019 by \$13,980,000. Of this amount, \$2,499,000 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 \$962,000, as revenues of \$8,925,000 exceeded expenses of \$7,963,000.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,861,000, a decrease of \$1,245,000 from the prior year-ending fund balance. Approximately 52% of the total fund balance, or \$4,127,000, is unassigned.
- The District's net capital assets increased by approximately \$2,993,000 (26%) during the current fiscal year, as additions of \$3,918,000 exceeded depreciation expense of \$925,000.
- The District's long-term obligations other than pensions and compensated absences decreased by \$500,000 (11%) during the current fiscal year due scheduled debt payments.
- The District's governmental fund revenues and other financing sources were \$9,609,000 for FY 2019, compared to \$9,224,000 for FY 2018. The net increase is due to increases in property taxes, sewer user fees, investment earnings and proceeds from bond issuance.
- The District's governmental fund expenditures and other financing uses were \$10,855,000 for FY 2019, compared to \$8,288,000 for the prior year. The increase of \$2,567,000 is primarily due to increased capital outlay and debt service payments for FY 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide basic financial statements

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

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

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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.

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.

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Notes to the basic financial statements

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

Other information

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

Figure 1

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

	Government-Wide Basic Financial Statements	Basic Fund Financial Statements
		Governmental Funds
Scope	Entire District	The activities of the district that are governmental in nature
Required financial statements	Statement of Net Position Statements of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter, no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments is due during the year or soon thereafter

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,143,000 and \$13,030,000 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, 2019 and 2018:

Table 1
Net position

	June 30,	
	2019	2018
Assets		
Current and other assets	\$ 9,697,000	\$ 11,422,000
Capital assets, net	14,396,000	11,415,000
Total assets	24,093,000	22,837,000
Deferred outflows of resources	1,411,000	1,832,000
Liabilities		
Current liabilities	1,384,000	1,054,000
Long-term liabilities	9,864,000	10,040,000
Total liabilities	11,248,000	11,094,000
Deferred inflows of resources	113,000	545,000
Net position		
Invested in capital assets, net of related debt (restated)	11,284,000	8,648,000
Restricted	197,000	159,000
Unrestricted	2,662,000	4,223,000
Total net position	\$ 14,143,000	\$ 13,030,000

The District's total assets at June 30, 2019 increased by \$1,256,000 from the prior year, primarily due to capital expenditures being significantly more than depreciation expense and additions of contributed sewer lines from developers during the year. Total liabilities at June 30, 2019 increased by \$154,000 due to timing of payments on accounts payable and accrued expenses. Deferred outflows of resources decreased by \$421,000 and deferred inflows of resources decreased by \$432,000 due to changes related to the funding of post-retirement benefits.

The District's net position increased by \$1,125,000 as revenues exceeded expenses. See discussion following Table 2 regarding this increase.

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources (net position) by \$14,143,000 at the end of the year. The largest portion of the District's net position totaling \$11,284,000 (80%) reflects its investment in capital assets (i.e. land, buildings, furniture and equipment, infrastructure, etc.) net of any related outstanding debt (including capital leases) used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay any outstanding debt must be provided from other sources, since the capital assets themselves normally cannot be used to settle these obligations.

The District has \$197,000 (less than 2% of net position) restricted for the payment of debt service with the remaining balance being unrestricted net position of \$2,662,000 (19% of net position) which may be used to meet the ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for the District for FY 2019 and FY 2018:

Table 2
Changes in net position

	<u>For the year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,717,000	\$ 1,660,000
Capital grants and contributions	105,000	195,000
General revenues:		
Property taxes	6,938,000	6,538,000
Other	<u>165,000</u>	<u>96,000</u>
Total revenues	<u>8,925,000</u>	<u>8,489,000</u>
Program expenses		
Fire department	5,229,000	4,612,000
Sewer department	2,477,000	2,233,000
Interest and fiscal charges	<u>94,000</u>	<u>102,000</u>
Total program expenses	<u>7,800,000</u>	<u>6,947,000</u>
Change in net position	1,125,000	1,542,000
Net position, beginning of year (as restated Note 10)	<u>13,018,000</u>	<u>11,476,000</u>
Net position, end of year	<u>\$ 14,143,000</u>	<u>\$ 13,018,000</u>

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

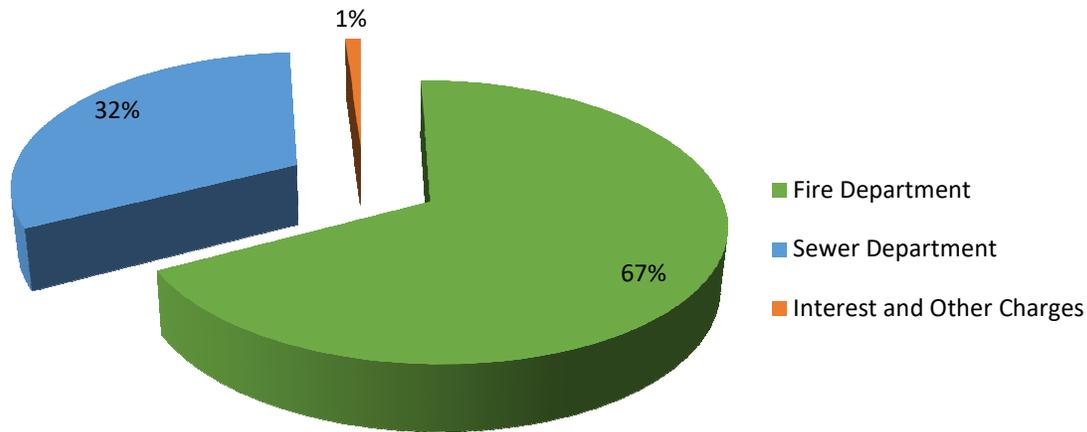
Governmental activities

The District's net position increased during FY 2019 by \$1,125,000 as revenues of \$8,925,000 exceeded expenses of \$7,800,000. Key elements of this change were as follows:

Revenues during FY 2019 increased by \$436,000 (5%) from FY 2018. This increase was due to several reasons. First, a millage increase and an increase in property tax values increased property taxes \$400,000. Secondly, investment earnings and proceeds from insurance claims were primarily responsible for driving the \$69,000 increase in other general revenues. Lastly, contributions from contributed sewer lines decreased by \$90,000.

Expenses increased by \$864,000 from the prior year primarily driven by increases in year-over-year personnel costs and purchase on land.

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.

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, Continued

For the year ended June 30, 2019, the District's governmental funds reported a combined fund balance of \$7,861,000 as compared to the prior year at \$9,106,000. At June 30, 2019, the combined fund balance is comprised of the following:

- A nonspendable fund balance of \$42,000 for prepaid items;
- Restricted fund balances of \$71,000 for reserve millage and \$197,000 for debt service;
- A committed fund balance of \$3,424,000 broken down for sewer projects of \$3,074,000, and capital improvements of \$350,000;
- And an unassigned fund balance for all governmental funds of \$4,127,000 which represents the General Fund of \$4,263,000 and the Capital Projects Fund of \$(137,000).

The fund balance for the District's governmental funds decreased by \$1,245,000 (14%) during the current fiscal year. Expenditures of \$10,854,000 exceeded revenues and other financing sources of \$9,609,000, as previously discussed.

The Debt Service Fund is shown in the accompanying basic financial statements. The fund is used to account for debt service related to the sewer system revenue bond for construction and repairing of sewer lines and the general obligation bond for the Mill Hill project as discussed in the *Debt Administration* section below. The District's Debt Service Fund balance increased by \$38,000 during FY 2019 to \$197,000, as property tax revenues, debt issues, transfers in and investment earnings combined for \$246,000 and were offset by principal and interest payments.

The District's Capital Projects Fund shown in the accompanying basic financial statements is used to account for engineering and other related costs in preparation for the Mill Hill project.

Both the Debt Service Fund and the Capital Projects Fund are planned to pay out their respective fund balances as the Mill Hill project commences.

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.

For FY 2019, variances in budget to actual included:

- Property tax collections were higher primarily due to higher assessed property values and collections.
- Sewer user fee was higher primarily due to an increase in collections.
- Capital outlay was higher due the purchase property for new headquarters.
- Lower maintenance costs.
- Personnel costs were higher due to overtime.

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of FY 2019 and FY 2018, the District had net capital assets of approximately \$14,396,000 and \$11,404,000, respectively, as detailed in Table 3:

Table 3
Capital Assets, Net of Depreciation

Capital assets	June 30,	
	2019	2018
Land	\$ 1,174,000	\$ 304,000
Construction in progress	3,022,000	1,621,000
Buildings and building improvements	1,561,000	1,603,000
Vehicles	1,410,000	967,000
Equipment	650,000	792,000
Infrastructure	6,579,000	6,117,000
Totals	\$ 14,396,000	\$ 11,404,000

The net increase in the District's net capital assets was \$2,992,000. Major capital asset events during the current fiscal year included:

- Land purchases of \$870,000 for new headquarters
- Sewer construction in progress additions of \$2,747,000
- New headquarters construction in progress additions of \$72,000
- Sewer infrastructure improvements of \$171,000, comprised of \$105,000 of contributed sewer lines from developers and \$66,000 of completed projects
- Sewer equipment purchases of \$41,000
- Depreciation expense of \$925,000

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

(Continued)

**TAYLORS FIRE AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

Debt Administration

At the end of FY 2019 and FY 2018, the District had outstanding debt (capital leases, sewer revenue bonds and sewer general obligation bonds) of \$3,931,000 and \$4,431,000 respectively. During FY 2019 and FY 2018, the District made principal and interest payments of \$500,000 and \$476,000, respectively.

Long-Term Debt	June 30,	
	2019	2018
Capital leases	\$ 1,635,000	\$ 1,982,000
Sewer revenue bonds	485,000	555,000
General obligation bonds	1,811,000	1,894,000
	\$ 3,931,000	\$ 4,431,000

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

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

ECONOMIC FACTORS

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

The District is in a growing metropolitan statistical area. The District expects to continue to experience growth in its demand for services from its citizens, and anticipates being able to serve this demand as assessed property values and the number of taxpayers continues to increase.

FISCAL YEAR 2019-2020 BUDGET

Many factors were considered by the District's administration during the process of developing the FY 2019 budget. The District's primary goals were (a) to balance the budget by continuing to finance growth within the District as it occurs, and (b) to strengthen the infrastructure of the District in order to meet the demands of anticipated growth within the Taylors land/service area.

AWARDS

In March 2019, the Sewer Department received the Facility Award of Excellence from the South Carolina Department of Health and Environment Control related to its performance during the 2018 calendar year. The Facility Award of Excellence recognizes those facilities that are striving to meet or exceed customers' expectations in environmental protection. This is the third consecutive year that the district has received this prestigious award.

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.

TAYLORS FIRE AND SEWER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,073,387
Investments	45,089
Investments held by County Treasurer	174,312
Accounts receivable	13,735
Property taxes receivable, net	84,141
Due from County Treasurer	83,843
Due from General Obligation bond	1,180,012
Interest receivable	774
Prepaid items	41,615
Total current assets	9,696,908
Noncurrent assets:	
Nondepreciable capital assets	4,195,899
Depreciable capital assets, net	10,200,216
Total noncurrent assets	14,396,115
Total assets	24,093,023
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on net pension liability	1,410,908
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	592,184
Accrued interest	22,899
Current portion of long term debt	154,480
Current portion of capital leases payable	357,845
Current portion of compensated absences	256,033
Total current liabilities	1,383,441
Long-term liabilities:	
Long-term liabilities other than pensions	3,474,290
Aggregate net pension liability	6,389,773
Total long-term liabilities	9,864,063
Total liabilities	11,247,504
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on net pension liability	113,192
NET POSITION	
Net investment in capital assets	11,283,739
Restricted for:	
Debt service	197,225
Unrestricted	2,662,271
Total net position	\$ 14,143,235

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

TAYLORS FIRE AND SEWER DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	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	\$ 5,229,007	\$ 4,253	\$ -	\$ -	\$ (5,224,754)	\$ (5,224,754)
Sewer department	2,476,916	1,712,663	-	104,709	(659,544)	(659,544)
Interest expense	93,932	-	-	-	(93,932)	(93,932)
Total governmental activities	<u>\$ 7,799,855</u>	<u>\$ 1,716,916</u>	<u>\$ -</u>	<u>\$ 104,709</u>	<u>(5,978,230)</u>	<u>(5,978,230)</u>

GENERAL REVENUES

Property taxes received for:

General purposes	\$ 6,934,840	\$ 6,934,840
Debt purposes	3,229	3,229
Investment earnings	87,188	87,188
Miscellaneous income	78,209	78,209
Total general revenues	<u>7,103,466</u>	<u>7,103,466</u>
Change in net position	1,125,236	1,125,236
Net position beginning of year	13,029,851	13,029,851
Prior period adjustment (Note 10)	(11,852)	(11,852)
Net position beginning of year (restated)	<u>13,017,999</u>	<u>13,017,999</u>
Net position end of year	<u>\$ 14,143,235</u>	<u>\$ 14,143,235</u>

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

TAYLORS FIRE AND SEWER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General fund	Debt service fund	Capital projects fund	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 8,050,474	\$ 22,913	\$ -	\$ 8,073,387
Investments	45,089	-	-	45,089
Investments held by county treasurer	-	174,312	-	174,312
Accounts receivable	13,735	-	-	13,735
Property taxes receivable, net	84,141	-	-	84,141
Due from county treasurer	83,843	-	-	83,843
Due from other funds	136,521	-	-	136,521
Prepaid items	41,615	-	-	41,615
Total assets	<u>\$ 8,455,418</u>	<u>\$ 197,225</u>	<u>\$ -</u>	<u>\$ 8,652,643</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 284,430	\$ -	\$ -	\$ 284,430
Accrued expenses	297,101	-	-	297,101
Due to other funds	-	-	136,521	136,521
Refundable deposits	10,653	-	-	10,653
Total liabilities	<u>592,184</u>	<u>-</u>	<u>136,521</u>	<u>728,705</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	62,907	-	-	62,907
Total deferred inflows of resources	<u>62,907</u>	<u>-</u>	<u>-</u>	<u>62,907</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	41,615	-	-	41,615
Restricted for:				
Reserve millage	70,900	-	-	70,900
Debt service	-	197,225	-	197,225
Committed for:				
Sewer projects	3,074,331	-	-	3,074,331
Capital improvements	350,000	-	-	350,000
Unassigned	4,263,481	-	(136,521)	4,126,960
Total fund balances	<u>7,800,327</u>	<u>197,225</u>	<u>(136,521)</u>	<u>7,861,031</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,455,418</u>	<u>\$ 197,225</u>	<u>\$ -</u>	<u>\$ 8,652,643</u>

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

TAYLORS FIRE AND SEWER DISTRICT
RECONCILIATION OF TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
JUNE 30, 2019

Total governmental funds - fund balance		\$ 7,861,031
<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:		
Unearned revenue	\$ 62,907	
Interest receivable	774	
General obligation bond	1,180,012	1,243,693
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	31,216,232	
Accumulated depreciation	(16,820,117)	14,396,115
The District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the government funds but are recorded in the statement of net position.		
		(5,092,057)
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.		
		(22,899)
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)	(3,930,695)	
Compensated absences	(311,953)	(4,242,648)
Net position - governmental activities		\$ 14,143,235

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**

	<u>General fund</u>	<u>Debt service fund</u>	<u>Capital projects fund</u>	<u>Total governmental funds</u>
REVENUES				
Property taxes	\$ 6,928,316	\$ -	\$ -	\$ 6,928,316
Fees	1,716,916	-	-	1,716,916
Investment earnings	87,067	-	-	87,067
Other	51,656	3,229	-	54,885
Total revenues	<u>8,783,955</u>	<u>3,229</u>	<u>-</u>	<u>8,787,184</u>
EXPENDITURES				
Fire department	4,796,137	-	-	4,796,137
Sewer department	1,639,669	-	-	1,639,669
Capital outlay	2,951,088	-	861,999	3,813,087
Debt service:				
Principal	347,380	152,812	-	500,192
Interest	50,844	54,580	-	105,424
Total expenditures	<u>9,785,118</u>	<u>207,392</u>	<u>861,999</u>	<u>10,854,509</u>
Excess (deficiency) of revenues over expenditures	<u>(1,001,163)</u>	<u>(204,163)</u>	<u>(861,999)</u>	<u>(2,067,325)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	795,304	-	-	795,304
Insurance proceeds (claims), net	26,553	-	-	26,553
Transfers from other funds	-	242,590	846,944	1,089,534
Transfers to other funds	(1,089,534)	-	-	(1,089,534)
Total other financing sources	<u>(267,677)</u>	<u>242,590</u>	<u>846,944</u>	<u>821,857</u>
Net change in fund balances	(1,268,840)	38,427	(15,055)	(1,245,468)
Fund balances at beginning of year	9,069,167	158,798	(121,466)	9,106,499
Fund balances at end of year	<u>\$ 7,800,327</u>	<u>\$ 197,225</u>	<u>\$ (136,521)</u>	<u>\$ 7,861,031</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
YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		\$ (1,245,468)
<i>Amounts reported for governmental activities in the statement of activities are different because of the following:</i>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This amount represents part or all of the change in:		
Unearned revenue	\$ 6,524	
Interest receivable	<u>121</u>	6,645
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 capital asset additions exceeded depreciation expense in the current period.		
Governmental funds expenditures capitalized in the statement of activities	3,813,087	
Capital grants and contributions	104,709	
Depreciation expense	<u>(925,277)</u>	2,992,519
Changes in the District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.		
		(332,626)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absences		(12,214)
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 bond issuance	(795,304)	
Repayment of revenue bond	152,812	
Repayment of leases payable	<u>347,380</u>	(295,112)
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>11,492</u>
Change in net position		<u><u>\$ 1,125,236</u></u>

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

TAYLORS FIRE AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Reporting entity

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

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

The District does not have any component units.

Measurement focus, basis of accounting, and basis of presentation

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

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

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

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

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

(Continued)

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

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.

(Continued)

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

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

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

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

Budgetary information

Budgetary Practices – The budget is presented in the required supplementary 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;

(Continued)

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

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

- (3) Savings and loan associations to the extent that the same are insured by an agency of the federal government;
- (4) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent, or custodian, of a market value not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (5) Collateralized repurchase agreements when collateralized by securities as set forth in (1) and (2) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (6) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

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.

(Continued)

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

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

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 expensed in the period of bond issuance.

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

(Continued)

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

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

Refundable deposits

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

Compensated absences

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

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

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether or not they will be liquidated with current resources. However, long-term obligations, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability only when due and payable.

Pensions

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

Deferred outflows of resources and deferred inflows of resources

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

(Continued)

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

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

Expenditures over appropriations

As of June 30, 2019, the capital projects fund has a deficit fund balance due to incurring costs on the Mill Village project. As draws are made on the bond, then the capital projects fund will be reimbursed for these costs.

Interfund transactions

Transfers of approximately \$243,000 recorded by General Fund and Debt Service Fund relate to debt repayment. Transfers of approximately \$847,000 recorded by General Fund and Capital Projects Fund relate to costs incurred on the Mill Village project.

Fund balance

The District reports fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Fund balance for governmental funds can consist of the following:

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

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

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

Assigned Fund Balance – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners of the Taylors Fire and Sewer District or (b) an official (a director) to which the assigned amounts are to be used for specific purposes. These amounts are neither restricted nor committed.

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

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

(Continued)

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

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 is 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

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, 2019:

Cash	\$	246,789
Money market funds		7,826,598
Cash and cash equivalents		8,073,387
Investments (including held by County Treasurer)		219,401
Total cash and investment	\$	8,292,788

At June 30, 2019, the District had the following investments and maturities:

Investment Type	Investment Maturities (in years)	
	Fair Value	Less than 1yr
Certificates of deposit	\$ 45,089	\$ 45,089
Cash and investment held by Greenville County Treasurer	174,312	174,312
	\$ 219,401	\$ 219,401

(Continued)

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS, Continued

Interest rate risk

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

Credit risk

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

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, 2019, none of the District's bank balances of \$8,621,091 (which has a carrying value of \$8,073,387) were exposed to custodial credit risk. Of the bank balances at June 30, 2019, \$250,000 was insured under the Federal Deposit Insurance Corporation and the remaining balances were collateralized by securities held by the financial institution in the District's name.

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, 2018, based on an assessed value of approximately \$64.6 million at rates of 61.0 mills for the General Fund – Fire Department and approximately \$66.0 million at rates of 22.3 mills for the General Fund – Sewer Department. These taxes are due without penalty through January 15th. Penalties are added to taxes depending on the date paid as follows:

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

(Continued)

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

NOTE 3 - PROPERTY TAXES AND OTHER RECEIVABLES, continued

Current year real and business personal property taxes become delinquent on March 16th. Unpaid property taxes become a lien against the property as of June 1st 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, 2019 of \$84,191 and \$0 for the General Fund and Debt Service Fund, respectively (net of allowances for uncollectible portion of \$70,659 and \$1,048, respectively). Estimated delinquent property taxes of \$21,284 in the General Fund and \$0 in the Debt Service Fund have been recognized as revenue at June 30, 2019 because it will be collected within 60 days of year end and will be received by the District or its fiscal agent (the County). The remaining delinquent property tax receivable of \$62,907 for the General Fund and \$0 for the Debt Service Fund has been recorded by the District as unearned revenue at June 30, 2019 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, 2019 was as follows:

	June 30, 2018	Transfers/ Additions	Transfers/ Deletions	June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 304,000	\$ 870,200	\$ -	\$ 1,174,200
Construction in progress	1,621,638	2,818,687	(1,418,625)	3,021,700
Total capital assets not being depreciated	<u>1,925,638</u>	<u>3,688,887</u>	<u>(1,418,625)</u>	<u>4,195,900</u>
Capital assets being depreciated				
Buildings and improvements	2,892,523	24,595	-	2,917,118
Vehicles	3,942,538	700,824	-	4,643,362
Equipment	2,264,060	72,162	-	2,336,222
Infrastructure	16,273,677	849,953	-	17,123,630
Total capital asset being depreciated	25,372,798	1,647,534	-	27,020,332
Less Accumulated depreciation	(15,894,840)	(925,277)	-	(16,820,117)
Total capital assets being depreciated, net	<u>9,477,958</u>	<u>722,257</u>	<u>-</u>	<u>10,200,215</u>
Total governmental activities capital assets, net	<u>\$11,403,596</u>	<u>\$4,411,144</u>	<u>\$(1,418,625)</u>	<u>\$14,396,115</u>

Construction in progress at June 30, 2019 consists primarily of engineering fees related to the Mill Hill Project. The District has approximately \$852,000 of construction commitments remaining at June 30, 2019, which relates to work on the Mill Hill project.

(Continued)

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

NOTE 4 - CAPITAL ASSETS, Continued

During the year ended June 30, 2019, the District received approximately \$105,000 in sewer infrastructure contributed from developers.

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

Fire department	\$ 272,865
Sewer department	652,412
	<hr/>
Total depreciation expense	<u>\$ 925,277</u>

Included in the above totals is equipment under capital leases as follows at June 30, 2019 (see Note 6).

Capitalization cost	\$ 3,253,341
Less accumulated depreciation	(1,079,486)
	<hr/>
	<u>\$ 2,173,855</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The significant components of accounts payable and accrued expenses at June 30, 2019 consisted of the following:

Governmental activities:

Accounts payable	\$ 284,430
Accrued expenses	297,101
Refundable deposits	10,653
	<hr/>
Total accounts payable and accrued expenses	<u>\$ 592,184</u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term debt and compensated absences for the year ending June 30, 2019 are as follows:

	June 30, 2018	Transfers/ Additions	Transfers/ Deletions	June 30, 2019	Due within One year
Capital leases:					
Capital lease – 2007	\$ 315,000	\$ -	\$ 75,000	\$ 240,000	\$ 75,000
Capital lease – 2011	310,427	-	74,556	235,871	76,554
Capital lease – 2017	419,320	-	102,041	317,279	103,867
Capital lease – 2018	937,000	-	95,783	841,217	102,424
Total capital leases	<u>1,981,747</u>	<u>-</u>	<u>347,380</u>	<u>1,634,367</u>	<u>357,845</u>
Revenue bonds – 2011	555,000	-	70,000	485,000	70,000
G.O. bonds – 2016	1,894,140	-	82,812	1,811,328	84,480
Compensated absences	299,739	311,953	299,739	311,953	256,033
Total long-term liabilities	<u>\$ 4,730,626</u>	<u>\$ 311,953</u>	<u>\$ 799,931</u>	<u>\$ 4,242,648</u>	<u>\$ 768,358</u>

(Continued)

TAYLORS FIRE AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES, Continued

The revenue bond consists of a sewer system revenue bond that originated June 14, 2010 in the amount of \$1,000,000 with a term of 15 years at 4.23% interest. The proceeds were used for construction and repairing of sewer lines. The revenue bond was refunded on December 15, 2011, in the amount of \$990,000. Principal payments consist of 14 annual installments ranging from \$55,000, beginning April 1, 2012, to \$90,000 ending April 1, 2025. Interest payments at 3.12% are made semi-annually. The principal amount outstanding at June 30, 2019 is \$485,000.

The general obligation bond originated April 15, 2016 and the terms were executed in July 2017 in the amount of \$1,975,316 with a term of 20 years at 2.0% interest. The proceeds are used for the construction and repairing of sewer lines in the Mill Hill Village. Principal payments consist of 80 quarterly installments of \$30,019 beginning August 1, 2017, and ending May 1, 2037. The principal amount outstanding at June 30, 2019 is \$1,811,328.

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 at June 30, 2019 is \$240,000.

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, 2019 is \$235,871.

Capital lease- 2017: Originated March 20, 2017, in the amount of \$519,250 with an interest rate of 1.77%. Payments consist of 10 semi-annual installments of \$54,555, beginning October 1, 2017, and ending April 1, 2022. The proceeds were used for the purchase of various equipment for the sewer district. The principal amount outstanding at June 30, 2019 is \$317,279.

Capital lease-2018: Originated January 31, 2018, in the amount of \$937,000, which was broken into two amounts, \$316,000 and \$621,000. The \$316,000 has an interest rate of 2.32%. Payments consist of 8 semi-annual installments ranging from \$22,443, beginning October 1, 2018 to \$102,456 ending April 1, 2022. The \$621,000 has an interest rate of 2.70%. Payments consist of 18 semi-annual installments of \$39,269, beginning October 1, 2018, and ending April 1, 2027. The proceeds were used for the purchase of Fire Rescue Truck and radios. The principal amount outstanding at June 30, 2019 is \$841,217.

(Continued)

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

NOTE 6 – LONG-TERM LIABILITIES, Continued

As of June 30, 2019, the future minimum lease payments under capital lease and the annual requirements to amortize the loan payable outstanding are as follows:

Year ending June 30,	Revenue bond		G.O. bond		Capital lease obligation		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$70,000	\$15,132	\$84,480	\$35,596	\$357,845	\$38,549	\$601,602
2021	75,000	12,948	86,183	33,893	369,418	30,110	607,552
2022	80,000	10,608	87,919	32,157	542,062	20,483	773,229
2023	85,000	8,112	89,691	30,385	69,146	9,393	291,727
2024	85,000	5,460	91,498	28,578	71,025	7,513	289,074
2025-2029	90,000	2,808	485,900	114,478	224,871	10,744	928,801
2030-2034	-	-	536,869	63,510	-	-	600,379
2035-2037	-	-	348,788	11,439	-	-	360,227
Total	<u>\$ 485,000</u>	<u>\$ 55,068</u>	<u>\$ 1,811,328</u>	<u>\$ 350,036</u>	<u>\$ 1,634,367</u>	<u>\$ 116,792</u>	<u>\$ 4,452,591</u>

NOTE 7 – PENSION PLANS

State Retirement Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Plan Membership

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

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

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

Plan Benefits

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

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

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

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

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

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation’s ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates¹ are as follows:

	SCRS Rates			PORS Rates		
	2017	2018	2019	2017	2018	2019
Employer Rate:						
Retirement	11.41%	13.41%	14.41%	13.84%	15.84%	16.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
Total Employer Rate:	11.56%	13.56%	14.56%	14.24%	16.24%	17.24%
Employee Rate:	8.66%	9.00%	9.00%	9.75%	9.75%	9.75%

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2019	\$ 122,078	100%	\$ 436,280	100%
2018	100,864	100%	379,313	100%
2017	81,273	100%	302,994	100%

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

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2019	\$ 838,000	\$ 2,531,000	\$ 3,369,000
2018	744,000	2,336,000	3,080,000
2017	735,000	2,128,000	2,863,000

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued as of July 1, 2015.

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	SCRS	PORS
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes Inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the System’s mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2018, TLP are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The net pension liability (NPL) represents the total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. SPL totals, as of June 30, 2018, for SCRS is presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers’ Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

The TPL is calculated by the System’s actuary, and the fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System’s notes to the financial statements and required supplementary information. Liability calculations performed by the System’s actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan’s funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was based upon the 30 year capital markets assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Total Asset Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Marketing Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (net)	2.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

Pensions

At June 30, 2019, the District reported liabilities of \$1,608,34 and \$4,781,421 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of July 1, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2017 that was projected forward to the measurement date.

The District’s proportions of the net pension liabilities were based on a projection of the District’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local employers, actuarially determined. At June 30, 2018, the District’s proportionate shares of the SCRS and PORS plans were 0.007178% and 0.16874%.

For the year ended June 30, 2019, the District recognized pension expense for the SCRS and PORS plans of approximately \$176,000 and \$550,000, respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflow of resources</u>	<u>Deferred inflow of resources</u>
SCRS		
Differences between expected and actual experience	\$ 66,713	\$ 9,465
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	79,680	81,299
Net difference between projected and actual earnings on pension plan investments	25,549	-
District’s contributions subsequent to the measurement date	122,078	-
Total SCRS	\$ 294,020	\$ 90,764
PORS		
Differences between expected and actual experience	\$ 462,586	\$ -
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	95,617	22,428
Net difference between projected and actual earnings on pension plan investments	122,305	-
District’s contributions subsequent to the measurement date	436,380	-
Total PORS	\$ 1,116,888	\$ 22,428

(Continued)

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

NOTE 7 – PENSION PLANS, Continued

The \$122,078 and \$436,380 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2019 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized as pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2019	\$ 59,358	\$ 357,016	\$ 416,374
2020	22,849	228,254	251,103
2021	(28)	59,816	59,788
2022	(1,002)	12,995	11,993
	\$ 81,177	\$ 658,081	\$ 739,258

Discount Rate

The discount rate used to measure the TLP was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TLP.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 1,288,914	\$ 1,608,349	\$ 2,055,171
PORS	\$ 3,418,032	\$ 4,781,424	\$ 6,445,958

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plan administered by PEBA is available in the System’s audited financial statements for the fiscal year ended June 30, 2018 accounting and financial reporting actuarial valuation as of June 30, 2018.

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.

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

NOTE 8 - RISK MANAGEMENT, Continued

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

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

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

NOTE 9 - INTERGOVERNMENTAL AGREEMENT

In 2007, the District executed an agreement with Renewable Water Resources (ReWa) to reduce I&I into shared facilities and to improve the transportation system. This agreement 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 had an initial term of three years, with automatic renewals of four successive terms of three years each, with a final termination of December 2022. Each party has reserved the right to have automatic renewals reviewed by a court of competent jurisdiction for a determination of its continuing validity.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The District has recorded a prior period adjustment to the government-wide statements to adjust accumulated depreciation of prior years due to an error in the calculation. The adjustment is summarized as follows:

	Governmental Activities
Beginning net position, as previously reported at June 30, 2018	\$ 13,029,851
Prior period adjustment – accumulated depreciation	(11,852)
Net position, as restated at July 1, 2018	<u>\$ 13,017,999</u>

NOTE 11 – SUBSEQUENT EVENTS

The District has evaluated events and transaction for subsequent events that would impact the financial statements for the year ended June 30, 2019 through November 11, 2019, the date the financial statements were available to be issued. Other than as disclosed above, there were no subsequent events that require recognition or disclosure in the financial statements.

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

Required Supplemental Information

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 6,695,000	\$ 6,695,000	\$ 6,928,316	\$ 233,316
Fees	1,552,000	1,552,000	1,716,916	164,916
Investment earnings	28,000	28,000	87,067	59,067
Other	15,000	15,000	51,656	36,656
Total revenues	<u>8,290,000</u>	<u>8,290,000</u>	<u>8,783,955</u>	<u>493,955</u>
EXPENDITURES				
General government				
Personnel	5,401,900	5,401,900	5,479,366	(77,466)
Maintenance	689,470	689,470	514,567	174,903
Administrative expense	99,400	99,400	103,109	(3,709)
Occupancy	134,500	134,500	130,323	4,177
Safety	83,650	83,650	89,227	(5,577)
Insurance	56,400	56,400	52,144	4,256
Training/certification	90,700	90,700	49,585	41,115
Miscellaneous	35,000	35,000	17,485	17,515
	<u>6,591,020</u>	<u>6,591,020</u>	<u>6,435,806</u>	<u>155,214</u>
CAPITAL OUTLAY	<u>2,092,180</u>	<u>2,092,180</u>	<u>2,951,088</u>	<u>(858,908)</u>
DEBT SERVICE				
Principal	348,100	348,100	347,380	720
Interest	51,100	51,100	50,844	256
	<u>399,200</u>	<u>399,200</u>	<u>398,224</u>	<u>976</u>
Total expenditures	<u>9,082,400</u>	<u>9,082,400</u>	<u>9,785,118</u>	<u>(702,718)</u>
Revenues over (under)expenditures	<u>(792,400)</u>	<u>(792,400)</u>	<u>(1,001,163)</u>	<u>(208,763)</u>
Other financing sources (uses)				
Appropriated fund balance	1,000,000	1,000,000	-	(1,000,000)
Proceeds from bond issuance	-	-	795,304	795,304
Insurance proceeds (claims), net	-	-	26,553	26,553
Transfers to other funds	(207,600)	(207,600)	(1,089,534)	(881,934)
Total other financing uses	<u>792,400</u>	<u>792,400</u>	<u>(267,677)</u>	<u>(1,060,077)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,268,840)</u>	<u>\$ (1,268,840)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>9,069,167</u>	
FUND BALANCE, END OF YEAR			<u>\$ 7,800,327</u>	

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FOUR YEARS**

	SCRS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.00719%	0.00676%	0.00759%	0.00743%
District's proportionate share of the net pension liability	<u>\$ 1,608,349</u>	<u>\$ 1,522,685</u>	<u>\$ 1,620,786</u>	<u>\$ 1,409,894</u>
District's covered-employee payroll	<u>\$ 838,448</u>	<u>\$ 744,000</u>	<u>\$ 735,000</u>	<u>\$ 735,000</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.8%	204.7%	220.5%	191.8%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	52.9%	57.0%
	PORS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.16874%	0.16511%	0.16690%	0.16504%
District's proportionate share of the net pension liability	<u>\$ 4,781,424</u>	<u>\$ 4,523,289</u>	<u>\$ 4,233,376</u>	<u>\$ 3,597,041</u>
District's covered-employee payroll	<u>\$ 2,530,624</u>	<u>\$ 2,336,000</u>	<u>\$ 2,128,000</u>	<u>\$ 2,128,000</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.9%	193.6%	198.9%	169.0%
Plan fiduciary net position as a percentage of the total pension liability	61.7%	60.9%	60.4%	64.6%

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST TEN YEARS

Required Supplemental Schedule 3

	SCRS									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 122,078	\$ 100,864	\$ 84,947	\$ 81,273	\$ 75,981	\$ 60,789	\$ 56,720	\$ 44,553	\$ 47,381	\$ 49,195
Contributions in relation to the contractually required contribution	122,078	100,864	84,947	81,273	75,981	60,789	56,720	44,553	47,381	49,195
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 838,448	\$ 744,000	\$ 735,000	\$ 735,000	\$ 697,071	\$ 573,485	\$ 535,097	\$ 467,256	\$ 504,596	\$ 523,906
Contributions as a percentage of covered-employee payroll	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%	10.60%	9.54%	9.39%	9.39%

	PORS									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 436,280	\$ 379,313	\$ 302,994	\$ 292,356	\$ 274,179	\$ 234,031	\$ 200,645	\$ 190,287	\$ 181,978	\$ 168,338
Contributions in relation to the contractually required contribution	436,280	379,313	302,994	292,356	274,179	234,031	200,645	190,287	181,978	168,338
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,530,624	\$ 2,336,000	\$ 2,128,000	\$ 2,128,000	\$ 2,044,591	\$ 1,822,668	\$ 1,631,263	\$ 1,617,667	\$ 1,578,302	\$ 1,523,421
Contributions as a percentage of covered-employee payroll	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%	12.30%	11.76%	11.53%	11.05%

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - FIRE DEPARTMENT
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 4,862,000	\$ 4,862,000	\$ 5,021,001	\$ 159,001
Fees	2,000	2,000	4,253	2,253
Investment earnings	13,000	13,000	25,001	12,001
Other	15,000	15,000	41,754	26,754
Total revenues	<u>4,892,000</u>	<u>4,892,000</u>	<u>5,092,009</u>	<u>200,009</u>
EXPENDITURES				
General government				
Personnel	4,142,245	4,142,245	4,366,757	(224,512)
Maintenance	143,750	143,750	170,767	(27,017)
Administrative expense	43,900	43,900	36,508	7,392
Occupancy	92,250	92,250	95,634	(3,384)
Safety	53,325	53,325	65,839	(12,514)
Insurance	25,000	25,000	20,679	4,321
Training/certification	42,850	42,850	29,094	13,756
Miscellaneous	26,500	26,500	10,859	15,641
	<u>4,569,820</u>	<u>4,569,820</u>	<u>4,796,137</u>	<u>(226,317)</u>
CAPITAL OUTLAY	<u>32,180</u>	<u>32,180</u>	<u>691,017</u>	<u>(658,837)</u>
DEBT SERVICE				
Principal	246,000	246,000	245,339	661
Interest	44,000	44,000	43,774	226
	<u>290,000</u>	<u>290,000</u>	<u>289,113</u>	<u>887</u>
Total expenditures	<u>4,892,000</u>	<u>4,892,000</u>	<u>5,776,267</u>	<u>(884,267)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(684,258)</u>	<u>(684,258)</u>
Other financing sources (uses)				
Insurance proceeds (claims), net	<u>-</u>	<u>-</u>	<u>21,828</u>	<u>21,828</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>21,828</u>	<u>21,828</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (662,430)</u>	<u>\$ (662,430)</u>

TAYLORS FIRE AND SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - SEWER DEPARTMENT
YEAR ENED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 1,833,000	\$ 1,833,000	\$ 1,907,315	\$ 74,315
Fees	1,550,000	1,550,000	1,712,663	162,663
Investment earnings	15,000	15,000	62,066	47,066
Other	-	-	9,902	9,902
Total revenues	<u>3,398,000</u>	<u>3,398,000</u>	<u>3,691,946</u>	<u>293,946</u>
EXPENDITURES				
General government				
Personnel	1,259,655	1,259,655	1,112,609	147,046
Maintenance	545,720	545,720	343,800	201,920
Administrative expense	55,500	55,500	66,601	(11,101)
Occupancy	42,250	42,250	34,689	7,561
Safety	30,325	30,325	23,388	6,937
Insurance	31,400	31,400	31,465	(65)
Training/certification	47,850	47,850	20,491	27,359
Miscellaneous	8,500	8,500	6,626	1,874
	<u>2,021,200</u>	<u>2,021,200</u>	<u>1,639,669</u>	<u>381,531</u>
CAPITAL OUTLAY	<u>2,060,000</u>	<u>2,060,000</u>	<u>2,260,071</u>	<u>(200,071)</u>
DEBT SERVICE				
Principal	102,100	102,100	102,041	59
Interest	7,100	7,100	7,070	30
	<u>109,200</u>	<u>109,200</u>	<u>109,111</u>	<u>89</u>
Total expenditures	<u>4,190,400</u>	<u>4,190,400</u>	<u>4,008,851</u>	<u>181,549</u>
Revenues over (under) expenditures	<u>(792,400)</u>	<u>(792,400)</u>	<u>(316,905)</u>	<u>475,495</u>
Other financing sources (uses)				
Appropriated fund balance	1,000,000	1,000,000	-	(1,000,000)
Proceeds from bond issuance	-	-	795,304	795,304
Insurance proceeds (claims), net	-	-	4,725	4,725
Transfer to other funds	(207,600)	(207,600)	(1,089,534)	(881,934)
Total other financing uses	<u>792,400</u>	<u>792,400</u>	<u>(289,505)</u>	<u>(1,081,905)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (606,410)</u>	<u>\$ (606,410)</u>

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Taylors Fire and Sewer District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Taylors Fire and Sewer District's basic financial statements, and have issued our report thereon dated November 11, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC

Laurens, South Carolina

November 11, 2019