

**PARKER SEWER AND FIRE SUBDISTRICT**  
**GREENVILLE, SOUTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

PARKER SEWER AND FIRE SUBDISTRICT

GREENVILLE, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Parker Sewer and Fire Subdistrict  
Greenville, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Parker Sewer and Fire Subdistrict (the Subdistrict) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Subdistrict'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 Parker Sewer and Fire Subdistrict, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 26, the Schedule of Funding Progress and Employer Contributions for the Retiree Health Plan on page 27, and the Notes to Required Supplementary Information on page 28 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 Subdistrict's financial statements as a whole. The Detailed Schedule of Expenditures – Budget and Actual – General Fund on pages 29 through 31 is presented for purposes of additional analysis and is not a required part of the financial statements.

This supplementary information has 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 it.



November 19, 2013

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government Governmental Activities
<b>ASSETS:</b>	
Cash – unrestricted	\$ 895,996
Cash – restricted	3,847,750
Taxes receivable, net	609,443
Rehab fees receivable – restricted	27,755
Inventory	6,128
Prepaid expenses	11,327
Noncurrent assets:	
Investments – unrestricted	3,544,666
Capital assets not being depreciated	2,060,740
Capital assets being depreciated, net of accumulated depreciation	12,266,968
Total Assets	<u>23,270,773</u>
<b>LIABILITIES:</b>	
Accounts payable and accrued expenses	99,412
Accounts payable and accrued expenses, payable from restricted assets	119,462
Accrued payroll and related expenses	164,580
Long-term liabilities:	
Due within one year:	
Capital lease obligation	309,072
Compensated absences	137,034
Interest	21,765
Due in more than one year:	
Capital lease obligation	2,513,086
Net other postemployment benefit (OPEB) obligation	1,775,292
Total Liabilities	<u>5,139,703</u>
<b>NET POSITION:</b>	
Net investment in capital assets	11,483,785
Restricted for:	
Sewer rehabilitation projects	3,756,043
Unrestricted	2,891,242
Total Net Position	<u>\$ 18,131,070</u>

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

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2013

	Expenses	Charges for Services	Capital Grants and Contributions	Primary Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Program Revenues				
<u>Functions/Programs:</u>					
Governmental Activities:					
General and administrative	\$ 3,514,311	\$ 118,402	\$ -	\$ (3,395,909)	
Public safety	3,650,698	-	-	(3,650,698)	
Sewer maintenance	1,554,072	1,886,436	-	332,364	
Fleet maintenance	254,697	-	-	(254,697)	
Interest on long-term liabilities	69,179	-	-	(69,179)	
Total Governmental Activities	<u>\$ 9,042,957</u>	<u>\$ 2,004,838</u>	<u>\$ -</u>	<u>(7,038,119)</u>	
General Revenues:					
Property taxes				8,402,896	
Interest				10,347	
Total General Revenues				<u>8,413,243</u>	
CHANGE IN NET POSITION					1,375,124
NET POSITION, Beginning of year					16,755,946
NET POSITION, End of year					<u>\$ 18,131,070</u>

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



PARKER SEWER AND FIRE SUBDISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2013

LIABILITIES AND FUND BALANCES

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 99,412	\$ 119,462	\$ 218,874
Accrued payroll and related expenses	164,580	-	164,580
Deferred revenues	<u>343,359</u>	<u>-</u>	<u>343,359</u>
<b>TOTAL LIABILITIES</b>	<u>607,351</u>	<u>119,462</u>	<u>726,813</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventory	6,128	-	6,128
Prepaid expenses	11,327	-	11,327
Restricted for:			
Capital projects	-	3,756,043	3,756,043
Unassigned	<u>4,442,754</u>	<u>-</u>	<u>4,442,754</u>
<b>TOTAL FUND BALANCES</b>	<u>4,460,209</u>	<u>3,756,043</u>	8,216,252
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,067,560</u>	<u>\$ 3,875,505</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land, buildings, small equipment, large equipment, trucks, fire and emergency vehicles, depreciable and non-depreciable infrastructure assets, construction in progress, and intangibles, net of accumulated depreciation of \$7,470,248. 14,327,708

Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Those liabilities consist of:

Net OPEB obligation (1,775,292)  
Compensated absences (137,034)  
Capital lease obligation (2,822,158)  
Interest (21,765)

Property taxes receivable in the funds that will be collected in the future, but are not available soon enough to pay for current period's expenditures, are not current financial resources and are therefore deferred. 343,359

Total Net Position of Governmental Activities \$ 18,131,070

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



PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 8,399,936	\$ -	\$ 8,399,936
Charges for services:			
Sewer rehabilitation charges	-	1,886,436	1,886,436
Other	84,765	33,637	118,402
Other income:			
Interest	6,866	3,481	10,347
TOTAL REVENUES	<u>8,491,567</u>	<u>1,923,554</u>	<u>10,415,121</u>
EXPENDITURES:			
Current:			
General and administrative	2,824,597	10,757	2,835,354
Public safety	3,687,877	-	3,687,877
Sewer maintenance	910,266	367,997	1,278,263
Fleet maintenance	249,439	-	249,439
Debt service:			
Principal	291,505	-	291,505
Interest	69,414	-	69,414
Capital outlays:			
Sewer maintenance	-	1,413,892	1,413,892
TOTAL EXPENDITURES	<u>8,033,098</u>	<u>1,792,646</u>	<u>9,825,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES / NET CHANGE IN FUND BALANCE	458,469	130,908	589,377
FUND BALANCES, Beginning of year	<u>4,001,740</u>	<u>3,625,135</u>	<u>7,626,875</u>
FUND BALANCES, End of year	<u>\$ 4,460,209</u>	<u>\$ 3,756,043</u>	<u>\$ 8,216,252</u>

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

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013

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Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities (page 4) for the year ended June 30, 2013:

Net change in fund balances – total governmental funds	\$ 589,377
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in deferred revenues for the year.	2,960
Governmental funds report capital outlays as expenditures. However, in the government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,413,892) exceeded depreciation (\$637,673) in the current year.	776,219
Some compensated absences expenses reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	378,506
The net OPEB obligation reported on the Statement of Activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(663,676)
Some interest expense reported on the Statement of Activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.	233
Capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of principal on capital leases are expenditures in the governmental funds, but the principal repayments reduce the long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded principal proceeds during the year ended June 30, 2013.	<u>291,505</u>
Total Change in Net Position of Governmental Activities	<u>\$ 1,375,124</u>

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

PARKER SEWER AND FIRE SUBDISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Parker Sewer and Fire Subdistrict, (the Subdistrict) is a special purpose district created by the General Assembly of the State of South Carolina. The Subdistrict provides fire protection and sewer services within its boundaries. The governing body is a commission elected by the Subdistrict's residents with power to levy and collect a tax on all taxable property in the Subdistrict, and to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law.

The basic operations of the Subdistrict are financed by property taxes on all taxable property in the Subdistrict. In the Statement of Revenues, Expenditures, and Changes in Fund Balances, these operations are reflected in the General Fund. The Subdistrict also receives sewer rehabilitation charges. In the Statement of Revenues, Expenditures, and Changes in Fund Balances, these operations are reflected in the Special Revenue Fund.

For the purpose of applying accounting principles generally accepted in the United States of America to its activities, the Subdistrict's management has determined that it is a governmental entity. The Governmental Accounting Standards Board (GASB), which has jurisdiction over accounting and financial reporting standards applicable to governmental entities, and the Financial Accounting Standards Board (FASB), which has jurisdiction over such standards applicable to nongovernmental entities, have agreed on a definition of a governmental entity that is to be used when determining whether governmental accounting principles are applicable. Since (a) the Subdistrict is a public benefit entity, (b) the members of the Subdistrict's governing commission are selected by the Subdistrict's residents through popular election, and (c) upon dissolution of the Subdistrict, all of the net assets would revert to another governmental entity as pursuant to state law, the Subdistrict meets the criteria set forth in the definition of a governmental entity. Accordingly, the accompanying financial statements of the Subdistrict have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units.

The accounting and reporting policies of the Subdistrict related to funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the audit and accounting guide entitled *State and Local Governments* and by the FASB when applicable.

Reporting Entity: Pursuant to governmental accounting principles generally accepted in the United States of America, in evaluating the Subdistrict as a reporting entity, management must consider all potential component units. The decision to include any potential component units in the Subdistrict's reporting entity was based on the following criteria:

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The Subdistrict’s financial accountability for the potential component unit was considered. The Subdistrict is financially accountable if it appoints a voting majority of the governing board of the potential component unit and (1) it is able to impose its will on the potential component unit or (2) a financial benefit/burden relationship exists between the Subdistrict and the potential component unit.
- The potential component unit’s fiscal dependence on the Subdistrict was considered.
- The nature and significance of the relationship between the Subdistrict and the potential component unit was considered to determine whether exclusion of the potential component unit from the reporting entity would render the Subdistrict’s financial statements misleading or incomplete.

Based on the above criteria, management has determined that there are no potential component units eligible for inclusion in the Subdistrict’s financial statements.

Basis of Presentation: The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Subdistrict (the “Primary Government”). Governmental activities, which 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. Presently, the Subdistrict has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues consist of charges to customers who use, purchase or directly benefit from services, goods or privileges provided by a given program, and operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. (During the fiscal year ended June 30, 2013, the Subdistrict had no operating grants or contributions.) Taxes, interest income and other items not classified as program revenues are reported as general revenues.

The fund financial statements report transactions related to certain functions or activities in separate funds in order to aid financial management and to comply with certain restrictions of the funds. The Subdistrict has presented the following major governmental funds:

- General Fund – This fund is used as an operating fund for all financial resources not required to be accounted for in another fund and is funded by property taxes from Greenville County, various other charges for services, interest and other revenues from operations.
- Special Revenue Fund – This fund is used to account for the accumulation of resources for, and payments of, designated sewer rehabilitation maintenance and management projects. This fund is financed by sewer rehabilitation charges, interest, and other revenues in connection with sewer rehabilitation projects as defined in an agreement with Western Carolina Regional Sewer Authority (ReWa). See Note 12 for more information.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting: Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, or when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Subdistrict considers funds received from property taxes as available if they are collected within 60 days of year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. The revenues susceptible to accrual include funds received from property taxes and sewer rehabilitation charges and other charges for services. All other fund revenues are recognized when received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and other postemployment benefits (OPEB), which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash: The Subdistrict maintains its cash balances, including cash balances in the Special Revenue Fund, in local banks.

Taxes Receivable: Taxes receivable consists of real and personal property taxes receivable from Greenville County. All taxes receivable are shown net of an allowance for uncollectible taxes.

Inventory: Inventory is valued at the lower of cost (determined by the first-in, first-out method) or market and consists of gasoline. The cost of inventory is recorded as an expense/expenditure at the time the inventory is consumed.

Prepaid Expenses: Prepaid expenses are recorded to reflect payment of costs applicable to future accounting periods and are amortized using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 1) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- 2) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- 3) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- 4) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- 5) Certificates of deposit where the certificates 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 of deposit 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.
- 6) Repurchase agreements when collateralized by securities as set forth in this section.
- 7) 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), (3), and (6) 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 Subdistrict has no investment policies that would further limit its investment choices.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets: Capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide financial statements, but are not reported in the fund financial statements.

All capital assets are recorded at historical cost or estimated historical cost if actual cost is unavailable. Estimated historical cost was used to value the majority of the non-infrastructure assets acquired prior to July 1, 2003. The Subdistrict's non-infrastructure assets include land, construction in progress, buildings, small equipment, large equipment, trucks, fire and emergency vehicles and intangible assets. The Subdistrict's capitalization limit for its non-infrastructure assets is \$10,000. Interest is not capitalized during the construction of non-infrastructure capital assets.

Because the Subdistrict is considered a phase 3 governmental entity under GASB Statement No. 34, it is not required to and does not report sewer infrastructure additions acquired or improvements made prior to July 1, 2003. Beginning July 1, 2003, the Subdistrict began capitalizing costs of additions and improvements to its sewer infrastructure that increase the sewer's capacity or efficiency or that extend the sewer's life. Capitalized sewer infrastructure is valued at historical cost, excluding interest incurred during construction. The Subdistrict's capitalization limit for sewer infrastructure is \$50,000.

Capital assets other than land, infrastructure construction in progress and other construction in progress are depreciated over the estimated useful lives of the related assets using the straight-line method. Once construction projects are completed, the costs of the completed projects are transferred to the appropriate capital asset category, and depreciation begins. Depreciation, which includes amortization on the Subdistrict's intangible assets, is computed by the straight-line method.

In the government-wide financial statements, maintenance and repairs are expensed when incurred. Betterments and renewals that meet the Subdistrict's capitalization limits are capitalized. When capital assets are sold or otherwise disposed of, the asset cost and related accumulated depreciation are removed from the respective accounts, and the resulting gains or losses are included in the Statement of Activities.

Estimated useful lives are as follows:

Buildings	15 – 40 years
Small equipment	5 – 10 years
Large equipment	7 – 10 years
Trucks	5 – 10 years
Fire and emergency vehicles	10 years
Infrastructure	50 years
Intangible assets – loan costs	15 years

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances: As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Subdistrict’s highest level of decision-making authority, the Board of Commissioners. Commitments may be changed or lifted only by the Subdistrict taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned Fund Balance – includes amounts intended to be used by the Subdistrict for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Subdistrict or (b) a body (the Board of Commissioners, fire chief, or Greenville County) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.
- Unassigned Fund Balance – this residual classification is used for all negative fund balances.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources have already been allocated.

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use. Unrestricted net position is any amount not included in net investment in capital assets or in restricted net position.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets/Net Position: Restricted assets at June 30, 2013 consist of cash and fees receivable totaling \$3,875,505 and are restricted for designated sewer rehabilitation maintenance and management projects. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Subdistrict first applies restricted position and then unrestricted position.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Recently issued and adopted accounting pronouncement: During the year ended June 30, 2013, the Subdistrict adopted GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. It provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows/inflows represent the consumption/acquisition of a government's assets that is applicable to a future reporting period. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets was changed to the statement of net position. This change is required regardless of whether a government reports any deferred outflows or deferred inflows of resources. As a result of adopting GASB 63, the District's government-wide financial statements now reference equity as net position (formerly net assets) and will include a Statement of Net Position. As of June 30, 2013, the Subdistrict does not have any deferred outflows or deferred inflows of resources.

## NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk Related to Deposits: Custodial credit risk is the risk that in an event of bank failure, the Subdistrict's deposits may not be returned. South Carolina law requires banks to collateralize deposits for governmental entities that exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Subdistrict has no additional deposit policy for custodial credit risk as of June 30, 2013. The FDIC provides up to \$250,000 of coverage for the Subdistrict's bank accounts. At times throughout the year, the Subdistrict's cash balances may exceed federally insured limits. At June 30, 2013, \$4,771,796 of the Subdistrict's bank balance of \$5,021,796 was exposed to custodial credit risk. All uninsured deposits are collateralized by securities held by the respective pledging financial institutions.

Interest Rate Risk: The Subdistrict does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The Subdistrict places no limit on the amount that may be invested in any one issuer. At June 30, 2013, 100% of the Subdistrict's investments were in the State of South Carolina Local Government Investment Pool.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Subdistrict had the following investments and cash at June 30, 2013:

Investments:	
State of South Carolina Local Government Investment Pool (Maturity of less than one year)	\$ 3,544,666
Total Pooled Investments	3,544,666
Cash	4,743,746
Total Investments and Cash	\$ 8,288,412

These amounts are presented in the accompanying government-wide Statement of Net Position as follows:

Cash – unrestricted	\$ 895,996
Cash – restricted	3,847,750
Investments – unrestricted	3,544,666
	\$ 8,288,412

The Subdistrict’s investments in the State of South Carolina Local Government Investment Pool (“the Pool”) are invested with the South Carolina State Treasurer’s Office, which established the Pool pursuant to Section 6-6-10 of the South Carolina Code of Laws. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but has a policy that it will operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

The Subdistrict’s investments in the Pool were not rated by nationally recognized statistical rating organizations at June 30, 2013.

### NOTE 3 – PROPERTY TAXES

Greenville County, South Carolina (the County) is responsible for levying and collecting sufficient property taxes to meet its funding obligation for the Subdistrict. 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 other than those on motor vehicles are levied and billed by the County on real and business personal properties on October 1 based on the assessed valuation of the property located within the Subdistrict as of the preceding December 31. For the year ended June 30, 2013, the assessed value was approximately \$102.8 million at a rate of 77.1 mils. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 16	10% of tax
After March 16	15% of tax plus \$15 execution cost

Current year real and business personal taxes become delinquent on March 17. Unpaid property taxes become a lien against the property as of the date the tax liability is fixed (usually December 31 of the year preceding the tax levy). The levy date for motor vehicles is the first day of the month in which the motor vehicle license is renewed. These taxes are due by the last day of the same month.

The Subdistrict's taxes receivable at June 30, 2013 totaled \$637,198, which is comprised of gross property taxes of \$760,628 less an allowance for estimated uncollectible property taxes of \$123,430. Delinquent property taxes of \$293,839 have been recognized as revenue at June 30, 2013 because they had been received by the Subdistrict within 60 days of year-end. The remaining delinquent property tax receivable of \$343,359 has been recorded by the Subdistrict as deferred revenue at June 30, 2013 on the governmental fund basic financial statements because it was not collected within 60 days after year-end and thus is not considered available for accrual.

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets activities for the year ended June 30, 2013:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>June 30, 2013</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 336,750	\$ -	\$ -	\$ -	\$ 336,750
Infrastructure construction in progress	<u>310,098</u>	<u>1,413,892</u>	<u>-</u>	<u>-</u>	<u>1,723,990</u>
Total Capital Assets Not Being Depreciated	<u>646,848</u>	<u>1,413,892</u>	<u>-</u>	<u>-</u>	<u>2,060,740</u>
Capital assets being depreciated:					
Buildings	6,083,304	-	-	-	6,083,304
Small equipment	1,291,853	-	-	-	1,291,853
Large equipment	1,184,995	-	-	-	1,184,995
Trucks	922,104	-	-	-	922,104
Fire and emergency vehicles	3,114,897	-	-	-	3,114,897
Infrastructure	7,080,063	-	-	-	7,080,063
Intangible asset – loan costs	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total Capital Assets Being Depreciated	<u>19,737,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,737,216</u>
Less accumulated depreciation:					
Buildings	1,856,466	148,828	-	-	2,005,294
Small equipment	443,661	140,752	-	-	584,413
Large equipment	839,976	83,166	-	-	923,142
Trucks	836,764	32,608	-	-	869,372
Fire and emergency vehicles	2,637,899	86,718	-	-	2,724,617
Infrastructure	211,809	141,601	-	-	353,410
Intangible assets – loan costs	<u>6,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total Accumulated Depreciation	<u>6,832,575</u>	<u>637,673</u>	<u>-</u>	<u>-</u>	<u>7,470,248</u>
Total Capital Assets Being Depreciated, net	<u>12,904,641</u>	<u>(637,673)</u>	<u>-</u>	<u>-</u>	<u>12,266,968</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,551,489</u>	<u>\$ 776,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,327,708</u>

Depreciation and amortization expense was charged as a direct expense to programs of the primary government as follows:

Governmental activities:	
General and administrative	\$ 14,975
Public safety	324,680
Sewer maintenance	293,670
Fleet Maintenance	<u>4,348</u>
	<u>\$ 637,673</u>

NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	July 1, 2012	Additions	Reductions	June 30, 2013	Amount due in one year
Governmental activities:					
Long-term liabilities:					
Compensated absences	\$ 515,540	\$ -	\$ 378,506	\$ 137,034	\$ 137,034
Net OPEB obligation	1,111,616	1,162,676	499,000	1,775,292	-
Capital lease obligation	3,113,663	-	291,505	2,822,158	309,072
	<u>\$ 4,740,819</u>	<u>\$ 1,162,676</u>	<u>\$ 1,169,011</u>	<u>\$ 4,734,484</u>	<u>\$ 446,106</u>
Governmental activities long-term liabilities					

Compensated absences and the net OPEB obligation attributable to governmental activities have been liquidated in the past by the General Fund. The Subdistrict’s policies regarding compensated absences and its OPEB obligation are described below in Note 6 and Note 7, respectively.

The capital lease obligation with a local bank provided funding for the construction of a new fire station in the Subdistrict, and is payable annually on April 1, in incrementally increasing installments of principal through April 2024. Interest is payable semi-annually on April 1 and October 1 through April 2024, with an interest rate of 2.18%. The agreement is secured by the building and property, including land, with a net book value totaling \$2,684,206. Interest expense for the year ended June 30, 2013 was \$55,365, and is included in interest on long-term liabilities in the accompanying Statement of Activities.

The Subdistrict entered into a capital lease obligation with an equipment supplier to finance a piece of equipment. The lease is payable annually on July 16th through July 2014, with an interest rate of 3%. This agreement is secured by a piece of equipment, with a net book value totaling \$308,268. Interest expense for the year ended June 30, 2013 was \$14,049, and is included in interest on long-term liabilities in the accompanying Statement of Activities.

The capital leases will be liquidated by the General Fund. Future minimum payments under capital leases at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 309,072	\$ 63,961	\$ 373,033
2015	323,086	56,023	379,109
2016	190,000	47,742	237,742
2017	205,000	43,600	248,600
2018	215,000	39,131	254,131
2019 – 2023	1,280,000	119,464	1,399,464
2024	300,000	6,540	306,540
	<u>\$ 2,822,158</u>	<u>\$ 376,461</u>	<u>\$ 3,198,619</u>

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Following is a summary of the capital assets held under the capital leases at June 30, 2013:

Fire station and land	\$ 2,948,752
Fire engines and emergency vehicles	<u>385,335</u>
Capital assets held under capital leases	3,334,087
Less accumulated depreciation	<u>341,613</u>
Net Capital Assets Held Under Capital Leases	<u><u>\$ 2,992,474</u></u>

NOTE 6 – COMPENSATED ABSENCES

The Subdistrict's policy allows employees to accumulate up to 30 days of vacation leave. Upon termination, the employees are entitled be paid for their accumulated vacation up to a maximum of ten days. Vacation is accumulated based on years of service. See Note 5 for additional information.

NOTE 7 – RETIREE HEALTH PLAN

The Subdistrict follows the guidance of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), for reporting certain postemployment health care and life insurance benefits.

*Plan Description:* The Subdistrict administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). Benefit provisions are established and may be amended by the Subdistrict's Board of Commissioners. Members of the Board of Commissioners are elected by the taxpayers of the Subdistrict. The Retiree Health Plan provides benefits through the Subdistrict's self-insured welfare benefit plan (Note 8), which covers both active and retired employees.

The Retiree Health Plan provides the following benefits:

- Lifetime prescription, vision and dental coverage is provided for eligible retirees and their spouses.
- Medical coverage is provided to eligible retirees and their spouses up to age 65, at which point the retiree/spouse must enter a Medicare Advantage Plan or seek a supplemental plan elsewhere if he/she wishes to continue medical coverage.
- If an active employee should die from a work-related injury or illness, the plan provides his/her spouse and dependents with coverage under the Retiree Health Plan at no cost to them until three years have passed since the employee's death, or the employee's widow/widower remarries. Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage begins at the end of this death benefit.
- Disabled retirees are allowed coverage on the same basis as normal retirement.
- Life insurance benefits are provided to the Subdistrict's retirees.

The Retiree Health Plan does not issue a publicly available financial report.

NOTE 7 – RETIREE HEALTH PLAN (CONTINUED)

Funding Policy: The contribution requirements of the Retiree Health Plan members and the Subdistrict are also established and may be amended by the Subdistrict’s Board of Commissioners.

Retired Commissioners are required to contribute \$125 per month each for themselves and their spouses. All other retirees are not required to make contributions to the Retiree Health Plan unless the retiree elects to cover a spouse. If a retiree elects to cover a spouse, the retiree must contribute \$320 per month for a spouse under age 65 and \$125 per month for a spouse at least age 65.

The Subdistrict’s contributions to the Retiree Health Plan are made on a pay-as-you-go basis. During the year ended June 30, 2013, the Subdistrict contributed \$499,000 to the Retiree Health Plan.

Annual OPEB Cost and Net OPEB Obligation. The Subdistrict’s OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Subdistrict’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the Retiree Health Plan, and changes in the Subdistrict’s net OPEB obligation to the Retiree Health Plan.

Annual required contribution (ARC)	\$ 1,159,500
Interest on net OPEB obligation	44,465
Adjustment to ARC	<u>(41,289)</u>
Annual OPEB cost (expense)	1,162,676
Contributions made	<u>(499,000)</u>
Increase in net OPEB obligation	663,676
Net OPEB obligation – beginning of year	<u>1,111,616</u>
Net OPEB Obligation – End of Year	<u><u>\$ 1,775,292</u></u>

The Subdistrict’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for 2011, 2012 and 2013 were as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 600,700	32.4%	\$ 734,865
June 30, 2012	\$ 633,651	40.5%	\$ 1,111,616
June 30, 2013	\$ 1,162,676	42.9%	\$ 1,775,292

## NOTE 7 – RETIREE HEALTH PLAN (CONTINUED)

*Funded Status and Funding Progress:* The Subdistrict qualifies for tri-annual actuarial valuations. Therefore, the Subdistrict's current actuarial valuation, as of June 30, 2013, will be used through June 30, 2015. As of this valuation, the actuarial accrued liability for benefits was \$15,057,800. The plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,057,800. The covered payroll (annual payroll of active employees covered by the plan) was \$3,751,000, and the ratio of the UAAL to the covered payroll was 401%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Subdistrict and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Subdistrict and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the projected unit credit actuarial cost method was used for valuation of liabilities. The actuarial assumptions included a 4.0% annual investment rate of return (net of both investment and non-actuarial administrative expenses) consistent with the anticipation that the Subdistrict will not fully fund the annual required contribution. The market value of assets was used as the actuarial value of assets. Health cost trend assumptions were based on information from the Getzen Trend Model, the actuarial firm's cost guidelines and actuarial judgment. The health cost trend rate was assumed to be 8.3% initially, reduced by decrements to an ultimate rate of 4.7% over 86 years. Payroll growth rate was assumed to be 3.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2013 was 30 years.

## NOTE 8 – WELFARE BENEFIT PLAN AND RELATED LIABILITIES

The Subdistrict established a self-insurance program providing medical and dental benefits on a pay-as-you-go basis to the current employees and their families and retired employees and their spouses in accordance with Commission policies. At June 30, 2013, 66 retired employees were eligible for coverage under the plan. See Note 7 above for information pertaining to the Retiree Health Plan portion of the Subdistrict's welfare benefit plan. Monthly premiums consisted of amounts sufficient to pay all current claims plus administrative and excess-loss insurance costs.



## NOTE 8 – WELFARE BENEFIT PLAN AND RELATED LIABILITIES (CONTINUED)

Under the plan, the maximum claims the Subdistrict can incur for any one plan participant in one year is \$30,000. Claims in excess of these limits will be paid by the excess-loss policy. The excess-loss policy has a lifetime maximum reimbursement of \$1 million on each plan participant, and a maximum reimbursement amount of \$1 million in excess of the group maximum claims. The Subdistrict's net contribution to the plan during the year ended June 30, 2013 was \$2,312,455. Changes in the Subdistrict's healthcare liabilities during the year ended June 30, 2013 are as follows.

Beginning liabilities for healthcare	\$ 141,676
Plus: Claims incurred	2,260,691
Less: Claims paid	<u>2,312,455</u>
 Ending Liabilities for Healthcare	 <u><u>\$ 89,912</u></u>

The 2013 ending liabilities for healthcare are included in accounts payable in the accompanying financial statements.

The Subdistrict accounts for active employee healthcare costs separately from retiree healthcare costs. The amounts shown above pertain to active employees. See Note 7 for information pertaining to retiree healthcare costs.

## NOTE 9 – RISK MANAGEMENT

The Subdistrict is exposed to various types of risk including loss related to torts; theft of, damage to and destruction of assets; injuries to employees and others; and damage to property of others. The Subdistrict obtained commercial insurance covering all of its known risks of loss as follows (other than medical and dental benefits described in Notes 6 and 7):

- Worker's Compensation
- Directors and Officers
- General Liability
- Crime
- Force Majeure

No claim settlements have exceeded insurance coverage during the years ended June 30, 2013, 2012, or 2011. There were no significant reductions in insurance coverage during the year ended June 30, 2013.

## NOTE 10 – PENSION PLAN

*Plan Description:* The Subdistrict contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Budget and Control Board. SCRS provides retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits to plan members and beneficiaries. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws, which assigns authority to establish and amend benefits to the South Carolina Budget and Control Board.

NOTE 10 – PENSION PLAN (CONTINUED)

The payroll for employees covered by the SCRS totaled \$4,393,107 for the year ended June 30, 2013. The Subdistrict’s total payroll, which includes some part-time employees not covered under the retirement system, was \$4,406,655.

All full-time employees are required to participate in the SCRS and make contributions as a condition of employment. For participants, a monthly pension benefit is payable to eligible employees at age 65 or upon attaining 28 years of credited service regardless of age, with reduced pension benefits payable as early as age 55. Participants are vested for a deferred annuity after 5 years of service. Additionally, employees who are active members participating in SCRS, and are eligible for service retirement, may participate in the Teacher and Employee Retention Incentive (TERI) program. The TERI program allows employees to retire and begin accumulating their retirement benefit on a deferred basis without terminating employment. This option is available to all SCRS employees at the time of retirement and may defer receipt of retirement benefits for up to 60 months. At the end of the TERI period, employees must terminate their employment. The TERI program is currently being phased out and will be completely terminated on June 30, 2018.

Funding Policy: Plan members are required to contribute 6.500% of their annual covered salary and the Subdistrict is required to contribute an actuarially determined rate, paid as a percentage of covered employees’ salaries. The current rate is 9.385 % of annual covered payroll. In addition to the preceding rate, participating employers contribute .150% of covered payroll to a group life insurance benefit for their participants. The contribution requirements of plan members and the Subdistrict are established under Title 9 of the South Carolina Code of Laws.

The amounts contributed to the SCRS by the Subdistrict were as follows:

Year ended June 30,	<u>Subdistrict Contribution</u>
2013	\$ 465,709
2012	\$ 426,647
2011	\$ 413,000

The actual contributions made equaled the required contributions for each of the above years.

Financial statements and required supplementary information for the SCRS are issued and publicly available by writing the South Carolina Retirement System, PO Box 11960, Columbia, South Carolina 29211-1960.

NOTE 11 – DEFERRED COMPENSATION PLAN

The Subdistrict offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457 and 401(k). The plan, available to all Subdistrict employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by the State of South Carolina Deferred Compensation Commission (SCDCC). The SCDCC also has custody of the plan assets.

## NOTE 12 – SEWER REHABILITATION FEES

The Subdistrict has entered into an intergovernmental agreement with Western Carolina Regional Sewer Authority (ReWa) to implement a continuous program of maintenance and management for wastewater collection systems connecting with the ReWa system. The Subdistrict developed a work plan approved by ReWa for operation and rehabilitation of the sewer system. The plan estimates the costs of rehabilitating sewers over approximately the next 15 years to be approximately \$32,524,300. This number was estimated in a study completed by an outside engineering firm using Subdistrict records.

The plan is based on a condition rating system based on 1) operation and maintenance performance, 2) infiltration and inflow performance and 3) sanitary sewer overflow performance. Performance factors are assigned to each condition.

The Subdistrict has 168 collection systems with 40 flow basins and work has been instigated based on the rating system.

The Subdistrict accounts for the accumulation of resources for, and payments of, designated sewer rehabilitation maintenance and management projects in connection with this agreement in the Special Revenue Fund.

The “Sewer Service Charge” started on November 1, 2005 and this flat fee was expected to generate an estimated \$2.5 million per year. The sewer fee received for the year ended June 30, 2013 was \$1,886,437. This fee is collected for the Subdistrict by Greenville County as a separate line item on the annual property tax bill. Major construction for this project began during the 2007 – 2008 fiscal year.

## NOTE 13 – UNCERTAINTIES

Certain localities within the Subdistrict may secede from the Subdistrict, excluding them from the tax assessment that funds the Subdistrict. National and local economic hardships may affect tax revenues. These uncertainties may affect future tax revenues remitted to the Subdistrict.

## NOTE 14 – SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Subdistrict reached a settlement agreement in the lawsuit in which it was the defendant. The Subdistrict expects to pay out approximately \$300,000 in connection with this settlement agreement.

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	BUDGET			ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Original	Revisions	Final		
REVENUES:					
Property taxes	\$ 7,752,802	\$ -	\$ 7,752,802	\$ 8,399,936	\$ 647,134
Charges for services:					
Other	40,500	-	40,500	84,765	44,265
Other income:					
Interest	10,000	-	10,000	6,866	(3,134)
<b>TOTAL REVENUES</b>	<b>7,803,302</b>	<b>-</b>	<b>7,803,302</b>	<b>8,491,567</b>	<b>688,265</b>
EXPENDITURES:					
Current:					
General and administrative	2,707,640	-	2,707,640	2,824,597	(116,957)
Public safety	3,632,513	-	3,632,513	3,687,877	(55,364)
Sewer maintenance	1,111,782	-	1,111,782	910,266	201,516
Fleet maintenance	256,986	-	256,986	249,439	7,547
Debt service:					
Principal	291,505	-	291,505	291,505	-
Interest	69,416	-	69,416	69,414	2
<b>TOTAL EXPENDITURES</b>	<b>8,069,842</b>	<b>-</b>	<b>8,069,842</b>	<b>8,033,098</b>	<b>36,744</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES / NET CHANGE IN FUND BALANCE</b>	<b>\$ (266,540)</b>	<b>\$ -</b>	<b>\$ (266,540)</b>	<b>458,469</b>	<b>\$ 725,009</b>
FUND BALANCE, Beginning of year				4,001,740	
FUND BALANCE, End of year				<u>\$ 4,460,209</u>	

REQUIRED SUPPLEMENTARY INFORMATION

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
FOR THE RETIREE HEALTH PLAN  
JUNE 30, 2013

<u>Schedule of Funding Progress:</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Projected Unit Credit (b)	Unfunded Actuarial Liability (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
June 30, 2010	\$ -	\$ 7,468,900	\$ 7,468,900	0%	\$ 4,041,100	185%
June 30, 2013	\$ -	\$ 15,057,800	\$ 15,057,800	0%	\$ 3,751,000	401%

Schedule of Employer Contributions:

Fiscal Year Ending	Annual Required Contribution (ARC)	Actual Contributions	Percent Funded
June 30, 2011	\$ 597,600	\$ 194,535	33%
June 30, 2012	\$ 628,000	\$ 256,900	41%
June 30, 2013	\$ 1,159,500	\$ 499,000	43%

See notes to required supplementary information.

PARKER SEWER AND FIRE SUBDISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

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NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Subdistrict prepares and adopts an annual budget for the General Fund to provide for operations. The budget is prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Changes, if any, made during the year are approved by the Board of Commissioners. Budgets are not legally required for the Special Revenue Fund.

NOTE 2 – EXCESS EXPENDITURES

General Fund expenditures for the year ended June 30, 2013 exceeded appropriations in general and administrative by \$116,957 and in public safety by \$55,364. These excess expenditures were funded by available fund balance.

NOTE 3 – RETIREE HEALTH PLAN

The funding progress information presented in the required supplementary schedule was determined as part of the actuarial valuation as follows:

Valuation Date	<u>June 30, 2010</u>	<u>June 30, 2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll Amount, Open	Level Percentage of Payroll Amount, Open
Remaining Amortization Method	30 years	30 years
Asset Valuation Method	Market Value	N/A
Actuarial Assumptions:		
Investment Rate of Return	4.50%	4.00%
Payroll Growth Rate	4.00%	3.50%
Health Cost Trend Rate	8.20% - 4.70%	7.10% - 4.70%
Year of Ultimate Trend Rate	2083	2099

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGET			ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Original	Revisions	Final		
<b>CURRENT:</b>					
<b>GENERAL AND ADMINISTRATIVE:</b>					
Healthcare	\$ 1,400,000	\$ -	\$ 1,400,000	\$ 1,585,287	\$ (185,287)
Life insurance	20,000	-	20,000	19,135	865
S.C. Retirement	474,702	-	474,702	446,574	28,128
Social Security and unemployment	358,413	-	358,413	316,578	41,835
Building and grounds insurance	7,658	-	7,658	7,548	110
Auto liability insurance	15,580	-	15,580	15,960	(380)
Comprehensive/collision insurance	9,300	-	9,300	10,086	(786)
Inland marine (equipment) insurance	9,919	-	9,919	9,876	43
Workers' compensation insurance	231,100	-	231,100	214,171	16,929
Tort insurance	25,700	-	25,700	26,448	(748)
Data processing insurance	411	-	411	410	1
Attorney fees	14,300	-	14,300	31,170	(16,870)
Auditor fees	6,900	-	6,900	8,282	(1,382)
Commission association conference	135	-	135	100	35
Commission per diem	11,500	-	11,500	11,530	(30)
Salaries	76,072	-	76,072	76,015	57
Office equipment	300	-	300	282	18
Electricity	7,668	-	7,668	7,232	436
Data periodicals	300	-	300	270	30
Service contracts	8,372	-	8,372	7,959	413
Fees and assessments	3,700	-	3,700	5,208	(1,508)
Office supplies	1,200	-	1,200	1,485	(285)
Awards/recognition	6,500	-	6,500	3,114	3,386
Water/wastewater	1,150	-	1,150	437	713
Telephone	3,160	-	3,160	2,881	279
Natural gas	2,300	-	2,300	781	1,519
Newspaper ads/notices	200	-	200	83	117
Computer software/programming	1,900	-	1,900	1,521	379
Flowers	200	-	200	271	(71)
Expensed equipment	9,000	-	9,000	13,903	(4,903)
	<u>2,707,640</u>	<u>-</u>	<u>2,707,640</u>	<u>2,824,597</u>	<u>(116,957)</u>
<b>PUBLIC SAFETY:</b>					
Fire chief	69,067	-	69,067	84,190	(15,123)
Salaries	3,349,459	-	3,349,459	3,364,014	(14,555)
Building and vehicle maintenance	9,700	-	9,700	17,951	(8,251)
Fire department equipment	5,000	-	5,000	5,353	(353)
Fire fighting clothes	5,000	-	5,000	13,862	(8,862)
Uniforms	10,500	-	10,500	6,790	3,710
Station supplies	7,500	-	7,500	7,140	360
Electricity	34,360	-	34,360	36,033	(1,673)
Telephone	17,527	-	17,527	14,691	2,836
Fuel – heating	14,000	-	14,000	17,397	(3,397)
Office supplies	6,000	-	6,000	6,847	(847)

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2013

	BUDGET			ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Original	Revisions	Final		
<b>PUBLIC SAFETY (CONTINUED):</b>					
Radio maintenance	3,000	-	3,000	5,292	(2,292)
Water/wastewater	11,900	-	11,900	9,073	2,827
Fire prevention – safety education	2,000	-	2,000	1,653	347
Physicals and fitness program	16,000	-	16,000	16,948	(948)
Employee training	3,000	-	3,000	2,840	160
Grounds maintenance	1,000	-	1,000	1,319	(319)
Gasoline and diesel	55,000	-	55,000	64,345	(9,345)
Seminars/conferences	1,200	-	1,200	-	1,200
SCBA maintenance	3,500	-	3,500	2,999	501
Computer software/upgrades	1,800	-	1,800	371	1,429
Certifications/inspections	6,000	-	6,000	8,769	(2,769)
	<u>3,632,513</u>	<u>-</u>	<u>3,632,513</u>	<u>3,687,877</u>	<u>(55,364)</u>
<b>SEWER MAINTENANCE:</b>					
Superintendent	56,680	-	56,680	39,676	17,004
Salaries	776,302	-	776,302	575,921	200,381
Equipment rental	500	-	500	2,808	(2,308)
Equipment fuel	40,000	-	40,000	67,289	(27,289)
Equipment maintenance	22,000	-	22,000	15,615	6,385
Computer software	10,000	-	10,000	11,294	(1,294)
Maintenance material	75,000	-	75,000	62,625	12,375
Uniforms	10,000	-	10,000	13,799	(3,799)
Contractual services	16,000	-	16,000	19,742	(3,742)
Fuel – heating	1,000	-	1,000	1,343	(343)
Radio repairs	500	-	500	39	461
Office expenses	7,500	-	7,500	5,249	2,251
Telephone/pagers	11,500	-	11,500	15,945	(4,445)
Tool replacement	13,000	-	13,000	11,441	1,559
Water/wastewater	3,600	-	3,600	2,419	1,181
Warehouse electricity	10,500	-	10,500	11,736	(1,236)
Employee training	9,000	-	9,000	2,203	6,797
Building/yard maintenance	8,500	-	8,500	6,415	2,085
Cleaning supplies	10,000	-	10,000	16,066	(6,066)
Advertising	200	-	200	210	(10)
Safety equipment	7,500	-	7,500	7,685	(185)
Employee health	5,000	-	5,000	3,375	1,625
Deductible damages	500	-	500	-	500
Special supplies	7,000	-	7,000	8,083	(1,083)
Professional services	5,000	-	5,000	4,358	642
Pump stations	5,000	-	5,000	4,930	70
	<u>1,111,782</u>	<u>-</u>	<u>1,111,782</u>	<u>910,266</u>	<u>201,516</u>



PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2013

	BUDGET			ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Original	Revisions	Final		
<b>FLEET MAINTENANCE:</b>					
Chief mechanic	49,440	-	49,440	50,391	(951)
Salaries	74,003	-	74,003	36,300	37,703
Maintenance sewer department	59,250	-	59,250	45,046	14,204
Maintenance fire department	59,250	-	59,250	85,872	(26,622)
Facility maintenance/security	1,400	-	1,400	777	623
Shop equipment	200	-	200	-	200
Equipment maintenance and purchases	2,000	-	2,000	1,729	271
Fuel	2,500	-	2,500	19,103	(16,603)
Safety equipment	375	-	375	379	(4)
Natural gas	1,000	-	1,000	905	95
Phone/pager	2,200	-	2,200	3,884	(1,684)
Electricity	2,500	-	2,500	1,804	696
Water/wastewater	750	-	750	683	67
Uniforms	500	-	500	1,705	(1,205)
Office/cleaning supplies	1,100	-	1,100	550	550
Employee health	518	-	518	311	207
	<u>256,986</u>	<u>-</u>	<u>256,986</u>	<u>249,439</u>	<u>7,547</u>
<b>DEBT SERVICE:</b>					
Principal	291,505	-	291,505	291,505	-
Interest	69,416	-	69,416	69,414	2
	<u>360,921</u>	<u>-</u>	<u>360,921</u>	<u>360,919</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 8,069,842</u>	<u>\$ -</u>	<u>\$ 8,069,842</u>	<u>\$ 8,033,098</u>	<u>\$ 36,744</u>

