PARKER SEWER AND FIRE SUBDISTRICT

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

PARKER SEWER AND FIRE SUBDISTRICT

GREENVILLE, SOUTH CAROLINA

TABLE OF CONTENTS

PARKER SEWER AND FIRE SUBDISTRICT

GREENVILLE, SOUTH CAROLINA

TABLE OF CONTENTS (CONTINUED)

****

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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, 2018, 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 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 Parker Sewer and Fire Subdistrict, as of June 30, 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

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 40, the Schedule of Parker Sewer and Fire Subdistrict's Proportionate Share of the Net Pension Liability – South Carolina Retirement System on page 41, Schedule of Parker Sewer and Fire Subdistrict's Contributions – South Carolina Retirement System on page 42, Schedule of Parker Sewer and Fire Subdistrict's Proportionate Share of the Net Pension Liability – Police Officers Retirement System on page 43, Schedule of Parker Sewer and Fire Subdistrict's Contributions – Police Officers Retirement System on page 44, Schedule of Changes in Total OPEB Liability and Related Ratios on page 45 and the Notes to Required Supplementary Information on page 46 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 supplementary schedules presented on pages 47 through 54 are presented for purposes of additional analysis and are not a required part of the financial statements.

This other 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.

Bradshaw, Gordon & Clinkscales, LLC

January 7, 2018

PARKER SEWER & FIRE SUBDISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Parker Sewer and Fire Subdistrict's annual financial report presents our discussion and analysis of Parker Sewer and Fire Subdistrict's financial performance and activities during the fiscal year ended June 30, 2018. This analysis is designed to assist the reader of the financial statements in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The information presented here should be considered in conjunction with the financial statements taken as a whole.

SUMMARY OF THE ORGANIZATION

Parker Sewer and Fire Subdistrict (the "District") is a special purpose district that was formed by the South Carolina General Assembly in 1934. It occupies approximately 23 square miles in western Greenville County, South Carolina, and services approximately 40,000 residents of the area. The District's governing body is composed of Marshall Alan Kay (Chairman), Randall A. Jones (Vice Chairman), Cam D. Salle (Secretary/Treasurer), Mark K. Ells (Board Member), and Sarah B. Franco (Board Member). The District's duties and responsibilities include:

- Providing fire protection services and fire safety education –

  Fire protection is provided through four fully-staffed fire stations that are strategically located across the District. The Fire Department is staffed by 80 firefighters. The District maintains an ISO 1 rating.

- Installing, maintaining and rehabilitating sewer lines and other sewer related equipment –

  The District's Wastewater Collection System (the "WWCS") is comprised of approximately 263 miles of gravity mainlines, 7,000 manholes, and six pump stations. The District does not treat wastewater, but discharges collected effluent to trunk lines owned by the regional wastewater treatment authority Renewable Water Resources. The WWCS is staffed by 29 personnel.

- A Financial Administration Department and Fleet Maintenance Department provides support services to the line functions in the WWCS and Fire Department.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of the following components:

1. This Management's discussion and analysis
2. Government-wide financial statements
3. Fund financial statements
4. Notes to the financial statements
5. Required supplementary information
6. Other Information

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances taken as a whole, in a manner similar to a business.

> *The Statement of Net Position* presents information on the District's assets and liabilities, with the difference between the two reported as net position. The Statement of Net Position presents information on all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligation to creditors (liabilities). It provides a measure of the District's financial health by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

> *The Statement of Activities* presents information showing how the District's net position changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by funds from property taxes, and fees provided by sewer rehabilitation and maintenance services and other sources. Elements in this financial statement are reported based on the economic resources measurement focus and the accrual method of accounting. The government wide financial statements can be found on pages 3 - 5 of the accompanying financial statements.

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use.

Fund financial 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 uses fund accounting to ensure and demonstrate compliance with stated uses for the funds. The District has a general fund and a special revenue fund. Information is presented separately in the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances for each of these funds. The fund financial statements can be found on pages 6 - 9 of the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental funds are used to account for the same District activities reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows in and out of the funds and the balances left at year-end that are available for spending. These funds are reported based on the modified accrual method of accounting and the current financial resources measurement focus, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund statements provide a short-term view of the District's financial operations.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it may be useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Notes to 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 financial statements. The notes to the basic financial statements can be found on pages 10 – 39.

Required Supplementary Information – In addition to the MD&A, basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the budget, pension liabilities, and retirement plans. This section includes the following schedules: the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, found on page 40, the Schedule of Parker Sewer and Fire Subdistrict's Proportionate Share of the Net Pension Liability – South Carolina Retirement System, found on page 41, the Schedule of Parker Sewer and Fire Subdistrict's Contributions – South Carolina Retirement System, found on page 42, the Schedule of Parker Sewer and Fire Subdistrict's Proportionate Share of the Net Pension Liability – Police Officers Retirement System, found on page 43, the Schedule of Parker Sewer and Fire Subdistrict's Contributions – Police Officers Retirement System, found on page 44, and the Schedule of Changes in Total OPEB Liability and Related Ratios, found on page 45, as well as the notes to required supplementary information on page 46.

Other Information – Other information concerning fire and sewer allocations and the detailed budget are included in this section. The Detailed Schedule of Expenditures – Budget and Actual – General Fund is listed on pages 47 – 49 and The Detailed Schedule of Expenditures – Fire and Sewer Allocations – General Fund is found on pages 50 – 52, the Statements of Gross Revenues, Expenditures for Capital Projects and Changes in Fund Balance is found on page 53 and the Projected Debt Service Coverage of the System is found on page 54.

FINANCIAL HIGHLIGHTS

Increases and decreases over time are based on amounts collected for and expended on programs and are determined by the availability of funds during the course of the year. Following are the financial highlights for the District as of the years ended June 30, 2018 and 2017.

- Primary revenue sources for the District are property taxes and the Sewer Rehabilitation Fee. The Sewer Rehabilitation Fee may only be utilized for capital projects associated with the WWCS.

- The Subdistrict follows the guidance of GASB Statements Nos. 74 and 75. These statements require that the District recognize the unfunded liabilities associated with its participation in its Other Post-Employment Benefits (OPEB) plan. The actuarial evaluation OPEB indicates a Net OPEB liability of $23,234,384 at the current discount rate of 3.87%.

- Total Property Taxes received in the year ended June 30, 2018 were $10,369,317 as compared to $9,501,620 in the year ended June 30, 2017; Total Sewer Rehabilitation Charges in the year ended June 30, 2018 were $1,959,499 as compared to $1,927,917 in the year ended June 30, 2017.

- Unassigned Fund Balance in the General Fund for the year ended June 30, 2018 was $7,704,506 as compared to $6,897,759 in the year ended June 30, 2017. Restricted Fund Balance in the Special Revenue Fund for the year ended June 30, 2018, $7,160,627 as compared to $10,903,618 in the year ended June 30, 2017. The decrease in the Restricted Fund Balance is attributable mainly to the reduction of bond proceeds from the sewer system Revenue Bonds Series 2017, and the reduction of proceeds form the Master Lease Agreement 2016, both being applied to projects in the District's Capital Improvement Program.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

Comparative data is accumulated and presented to assist analysis. The following provides a summary of changes in net position between the years ended June 30, 2018 and 2017 as derived from the government-wide Statement of Net Position.

	Governmental Activities		
	2018	2017	Change
Assets:			
Cash and investments – unrestricted	$ 7,734,582	$ 6,901,031	$ 833,551
Cash – restricted	6,564,156	9,707,368	(3,143,212)
Other current assets	1,280,423	1,781,634	(501,211)
Noncurrent assets	27,353,623	21,738,465	5,615,158
Total Assets	42,932,784	40,128,498	2,804,286
Deferred Outflows of Resources	5,378,015	1,184,028	4,193,987
Liabilities:			
Current liabilities	374,662	281,782	92,880
Long term liabilities (due within one year)	1,440,640	1,129,779	310,861
Long term liabilities (due in more than one year)	44,453,788	26,278,072	18,175,716
Total Liabilities	46,269,090	27,689,633	18,579,457
Deferred Inflows of Resources	5,314,354	10,475	5,303,879
Net Position:			
Net investment in capital assets	18,220,984	19,527,264	(1,306,280)
Restricted for sewer rehabilitation projects	3,286,706	1,402,969	1,883,737
Unrestricted	(24,780,335)	(7,317,815)	(17,462,520)
Total Net Position	$ (3,272,645)	$ 13,612,418	$ (16,885,063)

For the year ended June 30, 2018, total assets and liabilities of the District were $42,932,784 and $46,269,090, respectively. After considering Deferred Inflows and Deferred Outflows of Resources and new investments, Net Position decreased by $16,885,063 to ($3,272,645).

Overall, the Subdistrict's total 2018 liabilities increased by 67.10%, or a net amount of $18,579,457 over 2017 amounts. The increase was attributable mainly to the recognition of the net other post employment benefits liability of $23,234,384. This liability is the result of a change in accounting principle and was not on the face of the statement in prior years. See page vii for more information regarding this change.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents Parker Sewer and Fire Subdistrict's Statement of Activities for the years ended June 30, 2018 and 2017 as derived from the government-wide Statement of Activities.

	Governmental Activities		
Function/Program Revenues:	2018	2017	Changes
General and administrative	$ 490,317	$ 376,275	$ 114,042
Operating grants	2,000	-	2,000
Sewer maintenance	1,959,499	1,927,917	31,582
Total Governmental Activities	2,451,816	2,304,192	147,624
General Revenues:			
Property taxes	10,382,010	9,397,663	984,347
Interest	138,822	57,425	81,397
Gain on Sale of Assets	32,525	-	32,525
Total General Revenues	10,553,357	9,455,088	1,098,269
Program Expenses:			
General and administrative	5,069,302	5,686,016	(616,714)
Public safety	4,599,431	4,189,945	409,486
Sewer maintenance	1,924,064	1,791,051	133,013
Fleet maintenance	360,307	466,698	(106,391)
Interest on long-term liabilities	377,832	105,154	272,678
Bond issuance costs	-	294,565	(294,565)
Total Expenses	12,330,936	12,533,429	(202,493)
Changes in Net Position	674,237	(774,149)	1,448,386
Net Position Beginning of Year	13,612,418	14,386,567	(774,149)
Cumulative change in accounting principle	(17,559,300)	-	(17,559,300)
Net Position, Beginning of Year, as restated	(3,946,882)	14,386,567	(18,333,449)
Net Position, End of Year	$ (3,272,645)	$ 13,612,418	$ (16,885,063)

For the District, General Revenues were $10,553,357. General Revenues increased $1,098,269 from the prior year primarily due to a $984,347 increase in property taxes received. Additional revenues included $1,959,499 for Sewer Rehabilitation charges, $490,317 for General and Administrative services, and $2,000 for Operating Grants. Net Governmental Activities for the year were ($9,879,120) as compared to ($10,229,237) in the previous year. Overall net position decreased by $16,885,063.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The District's total net position decreased by $16,885,063. One item contributed to this decrease in net position. A total of $17,559,300 of the decrease was due to the District implementing GASB Statement No. 75 "Accounting and Financial Reporting for Post-Employement Benefits other than Pensions", which resulted in a prior period restatement of beginning net position for the revaluing of the District's OPEB liability. GASB 45 recognized a liability of Other Post-Employment Benefits (OPEB) within a footnote of the financial statements, with only a portion of the total liaibilty going on the books through the Net OPEB Obligation. GASB 75 does away with the Net OPEB Obligation , requiring the full liability to be recognized immediately on the balance sheet.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financial requirements. At the end of the current fiscal year, the District's governmental funds report combined ending fund balances of $14,952,424.

The District segregates 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 District has presented the following 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 primarily by property taxes. The General Fund had a fund balance of $7,714,468 at June 30, 2018, an increase of $806,747. Increases and decreases are the result of availability of funds from current financial resources.

Special Revenue Fund – This fund is used primarily for capital projects. The Special Revenue Fund had a fund balance of $7,237,956, a decrease of $3,742,992 from the prior year. Increases and decreases are based on the contributions to, bond issuance and expenditures from the special revenue fund for capital projects.

Required Financial Statements

The Balance Sheet – Governmental Funds serves as a useful indicator of the District's current financial position. As noted earlier, governmental funds use the modified accrual method of accounting, and the current financial resources measurement focus.

> The General Fund balance increased by $806,747 through the fiscal year 2018 from $6,907,721 in 2017. The unassigned fund balance increased from $6,897,759 to $7,704,506, an increase of $806,747. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The Statement of Revenues, Expenditures and Changes in Fund Balances provides information regarding the success of the District's operations over the past year and can be used to access whether the District has recovered all costs through taxes and charges.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (CONTINUED)

The Statement of Revenues, Expenditures and Changes in Fund Balances indicates that the Total Revenues were $12,955,570 for the General Fund and Special Revenue fund combined. Total expenditures were $17,854,340. Fund balance decreased during the year ended June 30, 2018 by $2,936,245, compared to an increase of $5,581,978 during the year ended June 30, 2017.

CAPITAL ASSETS

As of June 30, 2018, the District had a net investment in capital assets not being depreciated of $5,640,099, comprised of land and infrastructure construction in progress. Capital assets being depreciated include buildings, equipment, trucks, fire and emergency vehicles, infrastructure, and intangible assets with investments net of depreciation totaling $21,713,524. These amounts represent a net change of additions, transfers, and disposals over the prior year.

Major capital asset events during the current year include the following:

- Purchase of $259,782 of trucks
- Purchase of $84,106 of intangibles
- Purchase of $539,487 of large equipment
- Purchase of $1,911,700 of fire and emergency vehicles
- Partial completion of $3,636,804 of infrastructure construction in process
- Completion of $1,788,330 of infrastructure construction that is now in service
- Disposal of $1,053,058 of fire and emergency vehicles and $114,423 of large equipment, all of which were fully depreciated

	June 30, 2018	June 30, 2017
Capital Assets, net of depreciation:		
Land	$ 336,750	$ 336,750
Software in progress	124,083	39,977
Infrastructure construction in progress	5,179,266	3,330,792
Buildings	3,378,014	3,506,253
Small equipment	420,887	518,697
Large equipment	955,637	511,330
Trucks	373,460	154,223
Fire and emergency vehicles	2,850,675	1,134,801
Infrastructure	13,667,156	12,122,984
Intangibles	67,695	82,658
Total Capital Assets, Net of Depreciation	$ 27,353,623	$ 21,738,465

BUDGET VARIANCES

Revenues had an overall negative variance of $266,086 from budgeted amount of $11,201,798; including a positive variance of $62,393 from the collection of property taxes, a negative variance of $393,722 for charges for services, and a positive variance of $63,243 for interest income over the year ended June 30, 2018.

Current expenditures including general and administrative, public safety, sewer maintenance and fleet maintenance had an overall positive variance of $873,975. Capital outlay expenditures had a negative variance of $2,011,258 comprised of public safety and sewer maintenance expenditures. The total overall negative variance for expenditures was $1,137,495 from the final budgeted amounts of $10,953,995. Overall net change in fund balance had a positive variance of $558,944, resulting from a $806,747 increase in fund balance as opposed to the budgeted increase of $247,803 for the year ended June 30, 2018.

Positive or negative variances in expenditures were primarily due to the total amounts for and expended on programs. These amounts are determined by the availability of funds during the course of the year. Actual amounts may exceed budgeted amounts as funds become available.

PENSIONS

Effective July 1, 2017, eligible employees of the Parker District Fire Department began participation in the South Carolina Police Officers Retirement System (PORS). The PORS plan is designed for first-responders and offers additional benefits above and beyond the South Carolina Retirement System (SCRS), which is open to almost all state and local government employees in the state. Since PORS provides a higher benefit level, it also requires higher employee and employer contributions. Costs for the District increased from to 14.24% to 16.24% of the total wages of eligible firefighters, effective July 1, 2017.

Request for Financial Information

This report is designed to provide a general overview of Parker Sewer and Fire Subdistrict's finances to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for addition information should be directed to:

Marshall Alan Kay, Chairman of the Board
Parker Sewer and Fire Subdistrict
117 Smythe Street
Greenville, SC 29611

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government Governmental Activities
ASSETS:	
Cash and investments – unrestricted	$ 7,734,582
Cash – restricted	6,564,156
Escrow funds – restricted	644,096
Taxes receivable, net	530,786
Rehab fees receivable – restricted	18,250
Prepaid expenses	87,291
Noncurrent assets:	
Capital assets not being depreciated	5,640,099
Capital assets being depreciated, net of accumulated depreciation	21,713,524
Total Assets	42,932,784
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension charges	5,378,015
Total Deferred Outflows of Resources	5,378,015
LIABILITIES:	
Accounts payable and accrued expenses	184,610
Accrued payroll and related expenses	190,052
Long-term liabilities:	
Due within one year:	
Capital lease obligations	965,064
Deferred amortizable bond premium	4,385
Compensated absences	337,391
Interest	114,000
Other liabilities	19,800
Due in more than one year:	
Capital lease obligations	3,317,666
Bonds payable	8,560,000
Deferred amortizable bond premium	122,775
Net pension liability	9,218,963
Net other post employment benefits (OPEB) liability	23,234,384
Total Liabilities	46,269,090

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

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018

DEFERRED INFLOWS OF RESOURCES:		
Deferred pension credits		4,583,158
Deferred OPEB credits		731,196
Total Deferred Inflows of Resources		5,314,354
NET POSITION:		
Net investment in capital assets		18,220,984
Restricted for:		
Sewer rehabilitation projects		3,286,706
Unrestricted		(24,780,335)
Total Net Position	$	(3,272,645)

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

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities
Governmental Activities:					
General and administrative	$ 5,069,302	$ 490,317	$ -	$ -	$ (4,578,985)
Public safety	4,599,431	-	2,000	-	(4,597,431)
Sewer maintenance	1,924,064	1,959,499	-	-	35,435
Fleet maintenance	360,307	-	-	-	(360,307)
Interest on long-term liabilities	377,832	-	-	-	(377,832)
Total Governmental Activities	$ 12,330,936	$ 2,449,816	$ 2,000	$ -	(9,879,120)
General Revenues:					
Property taxes					10,382,010
Interest					138,822
Gain on sale of assets					32,525
Total General Revenues					10,553,357
CHANGE IN NET POSITION					674,237
NET POSITION, Beginning of year, as previously stated					13,612,418
Cumulative Change in Accounting Principle – See Note 1					(17,559,300)
NET POSITION, Beginning of year, as restated					(3,946,882)
NET POSITION, End of year					$ (3,272,645)

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

PARKER SEWER AND FIRE SUBDISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

ASSETS

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and investments	$ 7,734,582	$ 6,564,156	$ 14,298,738
Escrow funds	-	644,096	644,096
Taxes/fees receivable	530,786	18,250	549,036
Prepaid expenses	9,962	77,329	87,291
TOTAL ASSETS	$ 8,275,330	$ 7,303,831	$ 15,579,161

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

	General Fund	Special Revenue Fund	Total Governmental Funds
LIABILITIES:			
Accounts payable and accrued expenses	$ 118,735	$ 65,875	$ 184,610
Accrued payroll and related expenses	190,052	-	190,052
Other liabilities	19,800	-	19,800
TOTAL LIABILITIES	328,587	65,875	394,462
DEFERRED INFLOWS OF RESOURCES –			
Deferred property taxes	232,275	-	232,275
FUND BALANCES:			
Nonspendable:			
Prepaid expenses	9,962	77,329	87,291
Restricted for:			
Capital projects	-	7,160,627	7,160,627
Unassigned	7,704,506	-	7,704,506
TOTAL FUND BALANCES	7,714,468	7,237,956	14,952,424
TOTAL LIABILITIES AND FUND BALANCES	$ 8,275,330	$ 7,303,831	$ 15,579,161

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

PARKER SEWER AND FIRE SUBDISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

Total fund balances, from page 6	$ 14,952,424
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, software in progress, and intangibles, net of accumulated depreciation of $9,512,797.	27,353,623
Proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not reported in the governmental funds but are recorded in the Statement of Net Position.	(8,424,106)
The Net OPEB liability and deferred inflows of resources related to its participation in the OPEB plan are not reported in he governmental funds but are recorded in the Statement of Net Position.	(23,965,580)
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Those liabilities consist of:	
Compensated absences	(337,391)
Capital lease obligations	(4,282,730)
Interest	(114,000)
Bonds payable	(8,560,000)
Deferred amortizable bond premium	(127,160)
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.	232,275
Total Net Position of Governmental Activities	$ (3,272,645)

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, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Property taxes	$ 10,369,317	$ -	$ 10,369,317
Charges for services:			
Sewer rehabilitation charges	-	1,959,499	1,959,499
Other	476,152	9,780	485,932
Other income:			
Grants	2,000	-	2,000
Interest	88,243	50,579	138,822
TOTAL REVENUES	10,935,712	2,019,858	12,955,570
EXPENDITURES:			
Current:			
General and administrative	4,156,451	93,409	4,249,860
Public safety	4,093,795	-	4,093,795
Sewer maintenance	934,353	581,061	1,515,414
Fleet maintenance	351,295	-	351,295
Debt service:			
Principal	350,565	507,264	857,829
Interest	41,173	241,284	282,457
Capital outlays:			
Public safety	2,144,358	-	2,144,358
Sewer maintenance	19,500	4,339,832	4,359,332
TOTAL EXPENDITURES	12,091,490	5,762,850	17,854,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,155,778)	(3,742,992)	(4,898,770)
OTHER FINANCING SOURCES (USES):			
Master lease agreement proceeds	1,930,000	-	1,930,000
Proceeds from disposal	32,525	-	32,525
TOTAL OTHER FINANCING SOURCES AND USES	1,962,525	-	1,962,525
NET CHANGE IN FUND BALANCES	806,747	(3,742,992)	(2,936,245)
FUND BALANCES, Beginning of year	6,907,721	10,980,948	17,888,669
FUND BALANCES, End of year	$ 7,714,468	$ 7,237,956	$ 14,952,424

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, 2018

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities (page 5) for the year ended June 30, 2018:

Net change in fund balances – total governmental funds	$ (2,936,245)
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.	12,693
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 ($6,503,690) exceeded depreciation ($888,532) in the current year.	5,615,158
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.	(88,451)
Changes in the Subdistrict's net OPEB liability and deferred inflows of resources for the current year are not reported in the governmental funds, but are reported in the Statement of Activities.	(813,994)
Changes in the Subdistrict's proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources for the current year are not reported in the governmental funds, but are reported in the Statement of Activities.	48,237
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.	(95,375)
Bond proceeds, capital leases and other liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal and payments on capital leases are expenditures in the governmental funds, but the repayments reduce the long-term liabilities in the Statement of Net Position. This is the amount by which principal proceeds exceeded repayments during the year ended June 30, 2018.	(1,072,171)
The amortization of bond premiums reduces the long-term liabilities in the Statement of Net Position. This is the amount of amortization in the current period.	4,385
Total Change in Net Position of Governmental Activities	$ 674,237

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

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. These operations are reflected in the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The Subdistrict also receives sewer rehabilitation charges. These charges are reflected in the Special Revenue Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

For the purpose of applying accounting principles generally accepted in the United States of America (GAAP) 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 GAAP 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 GAAP applicable to state and local governmental entities. GAAP 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 GAAP, 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:

- 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 (a) it is able to impose its will on the potential component unit or (b) 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.

In September 2017, Parker Sewer and Fire District formed a non-profit entity, PDFD Community Funding Corporation ("PDFD") to promote and support public safety, disaster preparedness and relief. PDFD's board of directors is appointed by the Subdistrict; therefore, PDFD is required for inclusion in the financial statements of the Subdistrict as a component unit. However, management has evaluated the activity and determined it was immaterial in the current year.

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

<u>Basis of Presentation</u>: 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. 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:

- <u>General Fund</u> – 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 13 for more information.

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 and Investments: The Subdistrict maintains its cash balances, including cash balances in the Special Revenue Fund, in local banks. The Subdistrict maintains its investments with the State of South Carolina Treasurer.

Fair Value of Financial Investments: Provisions of various sections within GASB Statement No. 72 (GASB #72), *Fair Value Measurements and Application*, define fair value, establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and require certain disclosures about fair value measurements. Those provisions address acceptable valuation techniques and establish a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.

- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.

- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

Provisions of GASB #72 require disclosures about fair value measurements for certain financial assets and liabilities.

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.

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.

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 software 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 – software and loan costs	3 – 15 years

Payables, 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.

Pensions: In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 11 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Subdistrict recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Subdistrict's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Plan's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Deferred Outflows and Inflows of Resources: As defined by GASB Concept Statement No. 4, *Elements of Financial Statements*, deferred outflows of resources and deferred inflows of resources represent the consumption of net position by the government or an acquisition of net position by the government, respectively, that is applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet will report a separate section whenever the element, *deferred outflows of resources*, is presented. This separate financial statement element represents a consumption of net position that applies to a future period(s) and that will be recognized as an outflow of resources (expense/expenditure) during that future period(s). The Subdistrict currently has one type of deferred outflows of resources: (1) The Subdistrict reports deferred pension charges in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and Police Officers Retirement System.

These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (e.g., pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will report a separate section whenever the element, *deferred inflows of resources,* is presented. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and that will be recognized as an inflow of resources (revenue) during that future period(s). The Subdistrict currently has three types of deferred inflows of resources: (1) The Subdistrict reports deferred property taxes only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Subdistrict also reports deferred pension credits in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the Police Officers Retirement System. (3) The Subdistrict also reports deferred OPEB credits in its Statements of Net Position in connection with its participation in its OPEB plan. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

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 the Board of Commissioners to use the assigned amounts 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 – includes all residual amounts in governmental funds that are not classified as nonspendable, restricted, committed, or assigned. This residual classification is also 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

Restricted Assets/Net Position: Restricted assets at June 30, 2018 consist of cash and fees receivable totaling $7,226,502 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 GAAP 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: The Subdistrict implemented GASB Statements No. 74 and 75, which have substantially revised the accounting requirements previously mandated under GASB Statements No. 43 and 45. The most notable change is that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer's financial statement rather than a footnote entry.

GASB 74 applies to financial reporting for public OPEB plans funded by OPEB trusts and is required to be implemented for plan fiscal years beginning after June 15, 2016. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue standalone financial statements, but rather is considered a trust fund of a government, it is subject to GASB 74. Under GASB 74, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The adoption of these Statements had no impact on the Subdistrict's governmental fund financial statements which continue to report expenditures in the amounts paid related to the OPEB plan. However, the adoption has resulted in the restatement of the Subdistrict's net position as of July 1, 2017 for its government-wide financial statements to reflect the reporting of the Net OPEB Liability and deferred inflows of resources for its OPEB plan in accordance with the provisions of these Statements. Net position of the Subdistrict's government-wide financial statements as of July 1, 2017 was decreased by approximately $17,559,300, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note 8 for more information regarding the Subdistrict's OPEB plan.

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 laws authorize investments by political subdivisions in instruments including but not limited to (a) obligations of the United States of America or its related agencies, (b) obligations of the State of South Carolina, or (c) deposits in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). South Carolina law requires banks to collateralize deposits for governmental entities that exceed the amount of insurance coverage provided by the FDIC. The Subdistrict has no additional deposit policy for custodial credit risk as of June 30, 2018. The FDIC provides up to $250,000 of coverage for the Subdistrict's bank accounts. 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, 2018, 100% of the Subdistrict's investments were in the State of South Carolina Local Government Investment Pool.

The Subdistrict had the following investments and cash at June 30, 2018:

Investments:	
State of South Carolina Local Government	
Investment Pool (Maturity of less than one year)	$ 7,160,637
Total Pooled Investments	7,160,637
Cash	7,782,197
Total Investments and Cash	$ 14,942,834

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Cash and investments – unrestricted	$ 7,734,582
Cash – restricted	6,564,156
Escrow funds – restricted	644,096
	$ 14,942,834

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, 2018.

NOTE 3 – FAIR VALUE INFORMATION

The following table sets forth by level, within the fair value hierarchy, the Subdistrict's investments at fair value as of June 30, 2018:

	Assets		
Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and investments held by State Treasurer	$ 7,160,637	$ -	$ 7,160,637
Total Investments at Fair Value	$ 7,160,637	$ -	$ 7,160,637

The Subdistrict had no Level 3 assets or liabilities at June 30, 2018.

NOTE 4 – PROPERTY TAXES

Greenville County, South Carolina (the County) is responsible for collecting sufficient property taxes to meet the Subdistrict's funding obligation. This obligation is established each year by the Board of Commissioners and does not necessarily represent actual taxes 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, 2018, the assessed value was approximately $114.7 million at a rate of 89.6 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, 2018 totaled $549,036, which is comprised of gross property taxes of $672,893 less an allowance for estimated uncollectible property taxes of $123,857. Delinquent property taxes of $316,761 have been recognized as revenue at June 30, 2018 because they had been received by the Subdistrict within 60 days of year-end. The remaining delinquent property tax receivable of $232,275 has been recorded by the Subdistrict as deferred property taxes (formerly deferred revenue) at June 30, 2018 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 5 – CAPITAL ASSETS

The following is a summary of capital assets activities for the year ended June 30, 2018:

	July 1, 2017	Additions	Transfers	Disposals	June 30, 2018
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 336,750	$ -	$ -	$ -	$ 336,750
Software in progress	39,977	84,106	-	-	124,083
Infrastructure construction in progress	3,330,792	3,636,804	(1,788,330)	-	5,179,266
Total Capital Assets Not Being Depreciated	3,707,519	3,720,910	(1,788,330)	-	5,640,099
Capital assets being depreciated:					
Buildings	6,101,184	19,500	-	-	6,120,684
Small equipment	1,620,750	12,721	-	-	1,633,471
Large equipment	1,698,226	539,487	-	(114,423)	2,123,290
Trucks	1,007,575	259,782	-	-	1,267,357
Fire and emergency vehicles	4,002,835	1,911,700	-	(1,053,058)	4,861,477
Infrastructure	13,273,426	39,590	1,788,330	-	15,101,346
Intangible asset – software	43,220	-	-	-	43,220
Intangible asset – loan and bond issue costs	75,476	-	-	-	75,476
Total Capital Assets Being Depreciated	27,822,692	2,782,780	1,788,330	(1,167,481)	31,226,321
Less accumulated depreciation:					
Buildings	2,594,931	147,739	-	-	2,742,670
Small equipment	1,102,053	110,531	-	-	1,212,584
Large equipment	1,186,896	95,180	-	(114,423)	1,167,653
Trucks	853,352	40,545	-	-	893,897
Fire and emergency vehicles	2,868,034	195,826	-	(1,053,058)	2,010,802
Infrastructure	1,150,442	283,748	-	-	1,434,190
Intangible asset – software	9,952	10,447	-	-	20,399
Intangible asset – loan and bond issue costs	26,086	4,516	-	-	30,602
Total Accumulated Deprecation	9,791,746	888,532	-	(1,167,481)	9,512,797
Total Capital Assets Being Depreciated, Net	18,030,946	1,894,248	1,788,330	-	21,713,524
Governmental Activities Capital Assets, Net	$ 21,738,465	$ 5,615,158	$ -	$ -	$ 27,353,623

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities:		
General and administrative	$	15,422
Public safety		418,131
Sewer maintenance		448,631
Fleet maintenance		6,348
	$	888,532

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018 was as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Amount due in one year
Governmental activities:					
Long-term liabilities:					
Compensated absences	$ 248,940	$ 88,451	$ -	$ 337,391	$ 337,391
Net OPEB liability	23,151,586	1,764,239	(1,681,441)	23,234,384	-
Net pension liability	9,645,896	-	(426,933)	9,218,963	-
Capital lease obligations	3,210,559	1,930,000	(857,829)	4,282,730	965,064
Series 2017 revenue bonds	8,560,000	-	-	8,560,000	-
Deferred amortizable bond premium	131,545	-	(4,385)	127,160	4,385
Governmental Activities Long-term Liabilities	$ 44,948,526	$ 3,782,690	$ (2,970,588)	$ 45,760,628	$ 1,306,840

Compensated absences, net OPEB liability, and the net pension liability attributable to governmental activities have been liquidated in the past by the General Fund. The Subdistrict’s policies regarding compensated absences and its net pension liability are described below in Note 7 and Note 11 respectively. The Subdistrict’s policies regarding its OPEB obligation are described below in Note 8 and Note 9.

On August 27, 2009, the Subdistrict entered into a lease agreement and ground lease agreement totaling $3,720,000 for the construction of a new fire station in the Subdistrict. On April 25, 2012 the Subdistrict entered into a First Supplement to the lease agreement to refund the original lease 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 $2,069,260. Interest expense for the year ended June 30, 2018 was $38,171, and is included in interest on long-term liabilities in the accompanying Statement of Activities. As of June 30, 2018, the outstanding balance was $1,580,000.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

On December 19, 2014, the Subdistrict entered into a capital lease obligation totaling $401,300 with an equipment supplier to finance a piece of equipment for sewer maintenance. The lease is payable annually on December 19th through December 2017, with an interest rate of 1.35%. Interest expense for the year ended June 30, 2018 was $839, and is included in interest on long-term liabilities in the accompanying Statement of Activities. As of June 30, 2018, there was no outstanding balance as the lease was paid off during the year.

On June 27, 2016, the Subdistrict entered into a master lease agreement totaling $1,531,000 for the purchase of various pieces of equipment for sewer maintenance. As of June 30, 2018, nine pieces of equipment have been purchased with these funds, and the remainder is an escrow account in the Subdistrict's name. This lease is payable in semiannual installments including principal and interest on July 1 and January 1 through July 2019, with an interest rate of 1.22%. The agreement is secured by the escrow account and any equipment purchased with the funds from the agreement. The equipment purchased has a net book value totaling $831,740. Interest expense for the year ended June 30, 2018 was $12,809, and is included in interest on long-term liabilities in the accompanying Statement of Activities. As of June 30, 2018, the outstanding balance was $772,730.

On January 8, 2018, the Subdistrict entered into a master lease agreement totaling $1,930,000 for the purchase of two fire engines. This lease is payable in semiannual installments including principal and interest on July 8 and January 8 through January 2026, with an interest rate of 2.38%. This agreement is secured by the fire engines, with a net book value totaling $1,865,701. Interest expense for the year ended June 30, 2018 was $23,094 and is included in interest on long-term liabilities in the accompanying Statement of Activities. As of June 30, 2018, the outstanding balance was $1,930,000.

The capital leases will be liquidated by the General Fund and Special Revenue Fund, as appropriate. Future minimum payments under capital leases at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 965,064	$ 87,636	$ 1,052,700
2020	726,054	70,873	796,927
2021	487,292	58,642	545,934
2022	508,030	47,345	555,375
2023	528,808	35,680	564,488
Thereafter	1,067,482	39,271	1,106,753
	$ 4,282,730	$ 339,447	$ 4,622,177

Following is a summary of the capital assets held under the capital leases at June 30, 2018:

Fire station and land	$ 2,948,752
Fire engines and emergency vehicles	1,911,700
Vehicles	194,677
Small equipment – sewer maintenance	10,179
Large equipment – sewer maintenance	701,552
Capital assets held under capital leases	5,766,860
Less accumulated depreciation	1,000,158
Net Capital Assets Held Under Capital Leases	$ 4,766,702

In May 2017, Parker Sewer and Fire Subdistrict issued $8,560,000 sewer system Revenue Bonds Series 2017 (the "Series 2017 Revenue Bonds"). The bond issue was used to defray the costs of various improvements to the sewer system including sewer line repair and replacements throughout the Subdistrict and to pay costs of issuance of the Series 2017 Revenue Bonds. The principal is payable annually on April 1, beginning in 2021, in incrementally increasing installments through 2047. Interest is payable semi-annually on April 1 and October 1, at interest rates yielding between 1.5% to 3.6% through 2047. Interest expense for the year ended June 30, 2018 was $302,919. The Series 2017 Revenue Bonds are secured solely by the Pledged Revenues.

Debt service requirements on bonds payable are as follows:

GOVERNMENTAL ACTIVITIES

Year Ending June 30,	Bond Payable Principal	Bond Payable Interest
2019	$ -	$ 303,559
2020	-	303,559
2021	200,000	303,559
2022	205,000	297,558
2023	210,000	291,409
2024 – 2028	1,155,000	1,364,494
2029 – 2033	1,375,000	1,141,289
2034 – 2038	1,625,000	895,759
2039 – 2043	1,950,000	565,625
2044 – 2048	1,840,000	169,830
	$ 8,560,000	$ 5,636,641

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The sales proceeds from the bond issuance totaled $8,691,545, producing a bond premium of $131,545, which is amortized over the life of the debt offsetting the interest expense. As of June 30, 2018 the balance of the bond premium was $127,160.

Future amortization of the bond premium is as follows:

2019	$ 4,385
2020	4,385
2021	4,385
2022	4,385
2023	4,385
2024 – 2028	21,924
2029 – 2033	21,924
2034 – 2038	21,924
2039 – 2043	21,924
2044 – 2048	17,539
	$ 127,160

NOTE 7 – COMPENSATED ABSENCES

The Subdistrict's policy allows employees to accumulate vacation leave. Upon termination, the employees are entitled to be paid for their accumulated vacation up to a maximum of 45 days. Vacation is accumulated based on years of service. See Note 6 for additional information.

NOTE 8 – RETIREE HEALTH PLAN

The Subdistrict follows the guidance of GASB Statement No. 75, *Accounting and Financial Reporting 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 9), 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 active employees.

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

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.

Total OPEB Liability: The total OPEB liability for the Subdistrict was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

For the year ended June 30, 2018, the valuation date was June 30, 2016, and the measurement date was June 30, 2018. There have been no significant changes between the valuation date and fiscal year end.

As of the valuation date, the participant data was:

Actives	106
Retirees	53
Beneficiaries	-
Spouses of Retirees	18
Total	177

Total OPEB liability as a percentage of covered payroll is presented in the table below:

Total OPEB liability	$ 23,234,384
Covered payroll	4,388,400
Total OPEB liability as percentage of covered payroll	529.45%

Actuarial Assumptions: The discount rate used for June 30, 2018 was 3.87%. The 20 Year Tax-Exempt Municipal Bond Yield used for June 30, 2018 was also 3.87%. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

NOTE 8 – RETIREE HEALTH PLAN (CONTINUED)

The plan has not had a formal actuarial experience study. Other key actuarial assumptions are listed below:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.87%
Inflation	2.30%
Medical Trend Rate	Pre 65: 7.00% - 4.00% over 60
Projected salary increases including inflation	3.50%

Changes in total OPEB liability: The changes in the total OPEB liability for the year ended June 30, 2018 are presented in the table below:

Balance as of June 30, 2017	$ 23,151,586
Changes for the year:	
Service costs	915,780
Interest on total OPEB liability	848,459
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(940,109)
Benefit payments	(741,332)
Balance as of June 30, 2018	$ 23,234,384

Sensitivity Analysis: The following table presents the total OPEB liability of the Subdistrict, calculated using the discount rate of 3.87%, as well as what the Subdistrict's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 26,716,632	$ 23,234,384	$ 20,365,940

NOTE 8 – RETIREE HEALTH PLAN (CONTINUED)

The following presents the total OPEB liability of the Subdistrict, calculated using the current healthcare cost trend rates as well as what the Subdistrict's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 19,624,740	$ 23,234,384	$ 27,803,897

For the year ended June 30, 2018, OPEB expense was calculated as follows:

Service cost	$ 915,780
Interest on net OPEB liability	848,459
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	-
Recognition of assumption changes or inputs	(208,913)
OPEB expense	$ 1,555,326

As of June 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Changes of assumptions	$ -	$ (731,196)
	$ -	$ (731,196)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ (208,913)
2020	(208,913)
2021	(208,913)
2022	(104,457)
2023	-
Thereafter	-
	$ (731,196)

NOTE 9 – 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, 2018, 82 retired employees were eligible for coverage under the plan. See Note 8 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.

Under the plan, the maximum claims the Subdistrict can incur for any one plan participant in one year is $55,000. Claims in excess of these limits will be paid by the excess-loss policy. The excess-loss policy has an unlimited lifetime maximum reimbursement on each plan participant, and a maximum aggregate reimbursement amount of $1 million. The Subdistrict's net contribution to the plan during the year ended June 30, 2018 was $2,145,872. Changes in the Subdistrict's healthcare liabilities during the year ended June 30, 2018 are as follows.

Liabilities for healthcare, Beginning of year	$ 83,907
Plus: Claims incurred	2,176,657
Less: Claims paid	2,145,872
Liabilities for Healthcare, End of Year	$ 114,692

The June 30, 2018 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.

NOTE 10 – 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 8 and 9):

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

No claim settlements have exceeded insurance coverage during the years ended June 30, 2018, 2017, or 2016. There were no significant reductions in insurance coverage during the year ended June 30, 2018.

NOTE 11 – PENSION PLAN

General Information about the Pension Plan

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

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

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

<u>Plan Membership:</u> 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.

- Generally, all employees of covered employers are required to participate in and contribute to the SCRS 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 SCRS 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. Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws.

- 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.

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

- A Class Two member of the SCRS 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 of 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 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 under the SCRS 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.

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

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

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

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

	SCRS Rates			PORS Rates		
	2016	2017	2018	2016	2017	2018
Employer Rate:						
Retirement	10.91%	11.41%	13.41%	13.34%	13.84%	15.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.00%	0.20%
Accidental Death Benefit	0.00%	0.00%	0.00%	0.20%	0.00%	0.20%
	11.06%	11.56%	13.56%	13.74%	13.84%	16.24%
Employee Rate	8.16%	8.66%	9.00%	8.74%	9.24%	9.75%

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

	SCRS Contributions		PORS Contributions	
Fiscal Year Ended	Required Contribution	% Contributed	Required Contribution	% Contributed
June 30, 2018	$ 200,948	100%	$ 546,721	100%
June 30, 2017	$ 163,057	100%	$ 424,509	100%
June 30, 2016	$ 483,660	100%	N/A	N/A

Eligible payrolls of the Subdistrict covered under the Plan for the past three years were as follows:

Fiscal Year Ended	SCRS Payroll	PORS Payroll	Total Payroll
June 30, 2018	$ 1,481,918	$ 3,366,505	$ 4,848,423
June 30, 2017	$ 1,410,525	$ 3,067,261	$ 4,477,786
June 30, 2016	$ 4,373,054	N/A	$ 4,373,054

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2016. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to the end of the fiscal year, and the financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedule is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability (NPL) is calculated separately for each retirement system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 48,244,437,494	$ 25,732,829,268	$ 22,511,608,226	53.30%
PORS	$ 7,013,684,001	$ 4,274,123,178	$ 2,739,560,823	60.90%

At June 30, 2018, the Subdistrict reported liabilities of $3,107,277 and $6,111,686 for its proportionate share of the net pension liabilities for the SCRS and PORS Plans, respectively. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined based on the most recent actuarial valuation report as of July 1, 2016 that was projected forward to the measurement date. The Subdistrict's proportion of the net pension liabilities was based on a projection of the Subdistrict's long-term share of contributions to the pension plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2017, the Subdistrict's SCRS proportion was 0.014 percent, which was a decrease from its proportion measured at June 30, 2016. At June 30, 2017, the Subdistrict's PORS proportion was .223 percent, which was an increase from its proportion measured as of June 30, 2016 as the Subdistrict did not begin paying into the plan until July 1, 2016.

NOTE 11 – PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the Subdistrict recognized pension expense of $1,138,591 and $1,838,022 for the SCRS and PORS, respectively. At June 30, 2018, the Subdistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	$ 13,852	$ 1,722
Changes of assumptions	181,898	-
Net difference between projected and actual earnings on pension plan investments	86,741	-
Changes in proportion and differences between Subdistrict contributions and proportionate share of contributions	72,126	4,581,436
Subdistrict contributions subsequent to the June 30, 2017 measurement date	200,948	-
	555,565	4,583,158
PORS		
Differences between expected and actual experience	54,499	-
Changes of assumptions	580,055	-
Net difference between projected and actual earnings on pension plan investments	217,784	-
Changes in proportion and differences between Subdistrict contributions and proportionate share of contributions	3,849,138	-
Subdistrict contributions subsequent to the June 30, 2017 measurement date	120,975	-
	4,822,451	-
Total	$ 5,378,016	$ 4,583,158

Of the Subdistrict's deferred outflows of resources relating to pensions, $200,948 resulted from contributions to the SCRS subsequent to the measurement date and $546,721 resulted from contributions to the PORS subsequent to the measurement date. These amounts will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a net reduction in pension expense as follows:

Year Ended June 30:	SCRS	PORS	TOTAL
2019	$ (4,227,704)	$ 4,702,347	$ 474,643
2020	(29,164)	(74,185)	(103,349)
2021	28,327	73,314	101,641
	$ (4,228,541)	$ 4,701,476	$ 472,935

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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 Systems most recently issued as of July 1, 2015. As a result of this the experience study, actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumptions, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent effective July 1, 2017. With the exception of the rate of return, all recommended assumption method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of June 30, 2018 measurement date.

NOTE 11 – PENSION PLAN (CONTINUED)

The following table provides a summary of the actuarial cost method and assumptions used to calculate the total pension liability as of July 1, 2017.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.0% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2017 valuation for SCRS and PORS 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%

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was based upon 30 year capital market assumptions. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Expected returns are net of investment fees.

NOTE 11 – PENSION PLAN (CONTINUED)

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2017. 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 total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity:	*45%*		
Global Public Equity	31%	6.72%	2.07%
Private Equity	9%	9.60%	0.86%
Equity Options Strategies	5%	5.91%	0.30%
Real Assets:	*8%*		
Real Estate (Private)	5%	4.32%	0.22%
Real Estate (REITs)	2%	6.33%	0.13%
Infrastructure	1%	6.26%	0.06%
Opportunistic:	*17%*		
GTAA/Risk Parity	10%	4.16%	0.42%
Hedge Funds (non-PA)	4%	3.82%	0.15%
Other Opportunistic Strategies	3%	4.16%	0.12%
Diversified Credit:	*18%*		
Mixed Credit	6%	3.92%	0.24%
Emerging Markets Debt	5%	5.01%	0.25%
Private Debt	7%	4.37%	0.31%
Conservative Fixed Income:	*12%*		
Core Fixed Income	10%	1.60%	0.16%
Cash and Short Duration (Net)	2%	0.92%	0.02%
Total Expected Real Return	100%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

NOTE 11 – PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the sensitivity of the Subdistrict's proportionate share of the net pension liabilities of the Plan as of June 30, 2018 to changes in the discount rate. It shows the Subdistrict's liability as calculated using the discount rate of 7.25 percent, as well as what the liability would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability of the SCRS	$ 4,004,854	$ 3,107,277	$ 2,562,659
Proportionate share of the net pension liability of the PORS	8,251,939	6,111,686	4,425,838

NOTE 12 – 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 13 – 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 in 2005 approved by ReWa for operation and rehabilitation of the sewer system. This plan was last updated during the year ended June 30, 2016. The updated plan estimates the costs of rehabilitating sewers over approximately 10 years to be approximately $44,781,500. This number was estimated in a study completed by an outside engineering firm using Subdistrict records.

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 was a fee based on usage. This fee was collected for the Subdistrict by Greenville Water System ("GWS"), but GWS charged the Subdistrict a fee for this service. During 2009, due to increases in the service fee charged by GWS, the Subdistrict changed to a parcel-based fee, which levies a fee to each tax parcel in the sewer service area of the Subdistrict based upon land use of that parcel, and no service fee is charged to the Subdistrict. The sewer fee received for the year ended June 30, 2018 was $1,959,499. 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 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 31, 2018 which is the date that the accompanying financial statements were available to be issued.

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, 2018

	BUDGET				VARIANCE POSITIVE
	Original	Revisions	Final	ACTUAL	(NEGATIVE)
REVENUES:					
Property taxes	$ 10,306,924	$ -	$ 10,306,924	$ 10,369,317	$ 62,393
Charges for services:					
Other	869,874	-	869,874	476,152	(393,722)
Other income:					
Grants	-	-	-	2,000	2,000
Interest	25,000	-	25,000	88,243	63,243
TOTAL REVENUES	11,201,798	-	11,201,798	10,935,712	(266,086)
EXPENDITURES:					
Current:					
General and administrative	3,985,099	-	3,985,099	4,156,451	(171,352)
Public safety	4,120,771	-	4,120,771	4,093,795	26,976
Sewer maintenance	1,665,499	-	1,665,499	934,353	731,146
Fleet maintenance	638,500	-	638,500	351,295	287,205
Debt service:					
Principal	350,353	-	350,353	350,565	(212)
Interest	41,173	-	41,173	41,173	-
Capital outlays:					
Public safety	-	-	-	2,144,358	(2,144,358)
Sewer maintenance	152,600	-	152,600	19,500	133,100
TOTAL EXPENDITURES	10,953,995	-	10,953,995	12,091,490	(1,137,495)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES / NET CHANGE IN FUND BALANCE	247,803	-	247,803	(1,155,778)	(1,403,581)
OTHER FINANCING SOURCES (USES):					
Master lease agreement proceeds	-	-	-	1,930,000	1,930,000
Proceeds from disposal	-	-	-	32,525	32,525
TOTAL OTHER FINANCING SOURCES AND USES	-	-	-	1,962,525	1,962,525
NET CHANGE IN FUND BALANCE	$ 247,803	$ -	$ 247,803	806,747	$ 558,944
FUND BALANCE, Beginning of year				6,907,721	
FUND BALANCE, End of year				$ 7,714,468	

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF PARKER SEWER AND FIRE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – SOUTH CAROLINA RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

Only five years of information is presented as only five years of data were available.

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Parker Sewer and Fire District's Proportion of the Net Pension Liability	0.01380%	0.04516%	0.04449%	$ 0.04432%	$ 0.04432%
Parker Sewer and Fire District's Proportionate Share of the Net Pension Liability	$ 3,107,277	$ 9,645,896	$ 8,436,984	$ 7,630,435	$ 7,949,427
Parker Sewer and Fire District's Covered-Employee Payroll	$ 1,410,525	$ 4,373,054	$ 4,160,710	$ 3,931,909	$ 4,393,107
Parker Sewer and Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	220.29%	220.58%	202.78%	194.06%	180.95%
Plan Fiduciary Net Position as a Percentage of the Net Pension Liability	53.300%	52.900%	57.000%	59.919%	56.388%

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF PARKER SEWER AND FIRE DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

Only five years of information is presented as only five years of data were available.

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 200,948	$ 163,057	$ 483,660	$ 453,517	$ 416,782
Contributions in Relation to the Contractually Required Contribution	200,948	163,057	483,660	453,517	416,782
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Parker Sewer and Fire District's Covered-Employee Payroll	$ 1,481,918	$ 1,410,525	$ 4,373,054	$ 4,160,710	$ 3,931,909
Contributions as a Percentage of Covered-Employee Payroll	13.56%	11.56%	11.06%	10.90%	10.60%

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF PARKER SEWER AND FIRE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – POLICE OFFICERS RETIREMENT SYSTEM
THE LAST FISCAL YEAR

Only one year of information is presented as only one year of data was available.

	Year Ended June 30, 2018
Parker Sewer and Fire District's Proportion of the Net Pension Liability	0.22309%
Parker Sewer and Fire District's Proportionate Share of the Net Pension Liability	$ 6,111,686
Parker Sewer and Fire District's Covered-Employee Payroll	$ 3,067,261
Parker Sewer and Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	199.26%
Plan Fiduciary Net Position as a Percentage of the Net Pension Liability	60.900%

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF PARKER SEWER AND FIRE DISTRICT'S CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

Only two years of information is presented as only two years of data were available.

	Year Ended June 30, 2018	Year Ended June 30, 2017
Contractually Required Contribution	$ 546,721	$ 424,509
Contributions in Relation to the Contractually Required Contribution	546,721	424,509
Contribution Deficiency (Excess)	$ -	$ -
Parker Sewer and Fire District's Covered-Employee Payroll	$ 3,366,505	$ 3,067,261
Contributions as a Percentage of Covered-Employee Payroll	16.24%	13.84%

PARKER SEWER AND FIRE SUBDISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Only one year of information is presented as only one year of data was available.

Total OPEB Liability:	
Service Cost	$ 915,780
Interest on total OPEB liability	848,459
Effect of assumption changes or inputs	(940,109)
Benefit payments	(741,332)
Net change in total OPEB liability	82,798
Total OPEB liability, Beginning	23,151,586
Total OPEB liability, Ending	$ 23,234,384
Covered payroll	$ 4,388,400
Total OPEB liability as a % of covered payroll	529.45%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

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 GAAP. 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 and administrative and public safety capital outlays exceeded appropriations by $171,352 and $2,144,358 respectively. These excess expenditures were funded by the available fund balance.

NOTE 3 – COVERED-EMPLOYEE PAYROLL

At June 30, 2018, 2017, 2016, 2015 and 2014, the Subdistrict reported liabilities for its proportionate share of the net pension liability for the SCRS Plan. The net pension liabilities were measured as of June 30, 2017, 2016, 2015, 2014, and 2013, respectively, and the total pension liability used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2016 that was projected forward to the measurement date. For the Schedule of Parker Sewer and Fire Subdistrict's Proportionate Share of the Net Pension Liability – South Carolina Retirement System, the covered-employee payroll amounts are presented as of the Plan measurement dates of June 30, 2017, 2016, 2015, 2014 and 2013, respectively, because the amounts are compared with Plan information as of these dates.

On the Schedule of Parker Sewer and Fire Subdistrict's Contributions – South Carolina Retirement System, the amounts presented as covered employee payroll are as of the Subdistrict's years ended June 30, 2018, 2017, 2016, 2015, and 2014, respectively, because the amounts are compared to Subdistrict information as of these dates.

At June 30, 2018, the Subdistrict reported a liability for its proportionate share of the net pension liability for the PORS. The net pension liabilities were measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2016 that was projected forward to the measurement date. For the Schedule of Parker Sewer and Fire Subdistrict's Proportionate Share of the Net Pension Liability – Police Officers Retirement System, the covered-employee payroll amounts are presented as of the Plan measurement dates of June 30, 2017, because the amounts are compared with Plan information as of these dates.

On the Schedule of Parker Sewer and Fire Subdistrict's Contributions – Police Officers Retirement System, the amounts presented as covered employee payroll are as of the Subdistrict's years ended June 30, 2018 and 2017, because the amounts are compared to Subdistrict information as of these dates.

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	BUDGET Original	BUDGET Revisions	BUDGET Final	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
CURRENT:					
GENERAL AND ADMINISTRATIVE:					
Healthcare	$ 2,239,721	$ -	$ 2,239,721	$ 1,350,108	$ 889,613
S.C. Retirement	197,541	-	197,541	162,384	35,157
Police Officers Retirement System	524,321	-	524,321	546,721	(22,400)
OPEB Healthcare Costs	-	-	-	852,372	(852,372)
Dental insurance program	-	-	-	103,584	(103,584)
Social Security and unemployment	385,920	-	385,920	331,597	54,323
Workers' compensation insurance	270,812	-	270,812	198,640	72,172
Attorney fees	10,000	-	10,000	7,553	2,447
Salaries	116,000	-	116,000	123,554	(7,554)
Life insurance	16,000	-	16,000	18,472	(2,472)
Professional liability	90,000	-	90,000	92,706	(2,706)
HSA Program	-	-	-	11,106	(11,106)
Vision Program	-	-	-	20,709	(20,709)
Service contracts	36,720	-	36,720	141,462	(104,742)
Auditor fees	10,000	-	10,000	9,500	500
Commission per diem	10,135	-	10,135	8,175	1,960
Mileage expense	-	-	-	1,194	(1,194)
Electricity	7,905	-	7,905	9,901	(1,996)
Fees and assessments	5,100	-	5,100	4,691	409
Awards/recognition	10,700	-	10,700	9,692	1,008
Computer software/programming	9,690	-	9,690	48,144	(38,454)
Telephone	4,030	-	4,030	35,846	(31,816)
Office supplies	3,370	-	3,370	63,638	(60,268)
Natural gas	1,224	-	1,224	1,474	(250)
Building maintenance	25,000	-	25,000	-	25,000
Water/wastewater	816	-	816	914	(98)
Office equipment	2,550	-	2,550	1,730	820
Data periodicals	3,725	-	3,725	73	3,652
Flowers	300	-	300	473	(173)
Employee training & development	2,040	-	2,040	-	2,040
Certifications/Inspections	255	-	255	-	255
Newspaper ads/notices	1,224	-	1,224	38	1,186
	3,985,099	-	3,985,099	4,156,451	(171,352)
PUBLIC SAFETY:					
Salaries	3,270,018	-	3,270,018	3,173,979	96,039
Fire chief	65,620	-	65,620	65,560	60
Staff personnel	252,167	-	252,167	324,345	(72,178)
Electricity	39,832	-	39,832	49,444	(9,612)
Fire fighting clothes	67,400	-	67,400	57,846	9,554
Fuel – heating	12,573	-	12,573	14,017	(1,444)
Telephone	26,479	-	26,479	12,720	13,759
Building and vehicle maintenance	46,250	-	46,250	59,762	(13,512)
Fire department equipment	43,600	-	43,600	92,207	(48,607)
Physicals and fitness program	28,800	-	28,800	43,677	(14,877)

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	BUDGET				VARIANCE
	Original	Revisions	Final	ACTUAL	POSITIVE (NEGATIVE)
PUBLIC SAFETY (CONTINUED):					
Certifications/inspections	11,030	-	11,030	7,405	3,625
Station supplies	18,552	-	18,552	-	18,552
Duncan Chapel utilities	-	-	-	457	(457)
Uniforms	33,910	-	33,910	56,972	(23,062)
Office supplies	8,353	-	8,353	-	8,353
Water/wastewater	11,949	-	11,949	14,087	(2,138)
Radio maintenance	17,700	-	17,700	13,740	3,960
SCBA maintenance	11,990	-	11,990	12,981	(991)
Special supplies	-	-	-	10,228	(10,228)
Employee training	47,075	-	47,075	67,269	(20,194)
Computer software/upgrades	14,350	-	14,350	-	14,350
Fire prevention – safety education	7,250	-	7,250	6,441	809
Vehicle maintenance	800	-	800	8,294	(7,494)
Arson K-9	3,130	-	3,130	2,364	766
Service contracts	28,743	-	28,743	-	28,743
Newspaper ads/notice	400	-	400	-	400
Equipment maintenance	2,000	-	2,000	-	2,000
Deductible damages	800	-	800	-	800
Cash adjusting account	50,000	-	50,000	-	50,000
	4,120,771	-	4,120,771	4,093,795	26,976
SEWER MAINTENANCE:					
Salaries	1,140,399	-	1,140,399	774,369	366,030
Maintenance material	85,000	-	85,000	68,081	16,919
Superintendent	64,500	-	64,500	45,826	18,674
Contractual services	70,000	-	70,000	-	70,000
Telephone/pagers	32,000	-	32,000	-	32,000
Uniforms	25,000	-	25,000	-	25,000
Warehouse electricity	15,000	-	15,000	-	15,000
Safety equipment	35,000	-	35,000	-	35,000
Special supplies	16,000	-	16,000	-	16,000
Computer software	25,000	-	25,000	-	25,000
Employee health	15,000	-	15,000	-	15,000
Cleaning supplies	13,000	-	13,000	-	13,000
Office expenses	13,000	-	13,000	-	13,000
Employee training	20,000	-	20,000	-	20,000
Equipment maintenance	18,000	-	18,000	17,441	559
Building/yard maintenance	18,000	-	18,000	-	18,000
Professional services	17,000	-	17,000	14,773	2,227
Pump stations	15,000	-	15,000	13,372	1,628
Water/wastewater	8,000	-	8,000	-	8,000
Equipment rental	5,000	-	5,000	241	4,759
Fuel – heating	1,900	-	1,900	-	1,900
Deductible damages	10,000	-	10,000	250	9,750
Advertising	200	-	200	-	200
Newspaper ads/notices	1,000	-	1,000	-	1,000
Certification/inspections	2,500	-	2,500	-	2,500
	1,665,499	-	1,665,499	934,353	731,146

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	BUDGET Original	BUDGET Revisions	BUDGET Final	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
FLEET MAINTENANCE:					
Chief mechanic	43,000	-	43,000	34,614	8,386
Salaries	83,000	-	83,000	46,741	36,259
Shop equipment	24,000	-	24,000	7,514	16,486
Equipment maintenance and purchases	5,000	-	5,000	-	5,000
Vehicle maintenance	-	-	-	6,660	(6,660)
Tires	50,000	-	50,000	24,611	25,389
Service contracts	11,000	-	11,000	-	11,000
Electricity	4,200	-	4,200	3,778	422
Phone/pager	4,000	-	4,000	3,000	1,000
Fuel	95,000	-	95,000	86,304	8,696
Uniforms	1,800	-	1,800	-	1,800
Office/cleaning supplies	6,000	-	6,000	-	6,000
Natural gas	1,500	-	1,500	1,610	(110)
Water/wastewater	1,500	-	1,500	1,005	495
Safety equipment	40,000	-	40,000	-	40,000
Computer software/internet	15,000	-	15,000	-	15,000
Employee health	2,000	-	2,000	-	2,000
Parts purchased	100,000	-	100,000	94,543	5,457
Equipment rental	500	-	500	-	500
Certifications/inspections	1,000	-	1,000	-	1,000
Building/yard maintenance	30,000	-	30,000	-	30,000
Outsourced service	100,000	-	100,000	40,915	59,085
Employee training	20,000	-	20,000	-	20,000
	638,500	-	638,500	351,295	287,205
DEBT SERVICE:					
Principal	350,353	-	350,353	350,565	(212)
Interest	41,173	-	41,173	41,173	-
	391,526	-	391,526	391,738	(212)
CAPITAL OUTLAYS:					
PUBLIC SAFETY:					
Capital fire	-	-	-	2,144,358	(2,144,358)
	-	-	-	2,144,358	(2,144,358)
SEWER MAINTENANCE:					
Capital O&M	152,600	-	152,600	19,500	133,100
	152,600	-	152,600	19,500	133,100
TOTAL EXPENDITURES	$ 10,953,995	$ -	$ 10,953,995	$ 12,091,490	$ (1,137,495)

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES
FIRE AND SEWER ALLOCATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	ALLOCATED		
	FIRE	SEWER	TOTAL
CURRENT:			
GENERAL AND ADMINISTRATIVE:			
Healthcare	$ 985,579	$ 364,529	$ 1,350,108
S.C. Retirement	118,540	43,844	162,384
Police Officers Retirement System	399,106	147,615	546,721
OPEB healthcare costs	622,232	230,140	852,372
Dental insurance program	75,616	27,968	103,584
Social Security and unemployment	242,066	89,531	331,597
Workers' compensation insurance	145,007	53,633	198,640
Attorney fees	5,514	2,039	7,553
Salaries	90,194	33,360	123,554
Life insurance	13,485	4,987	18,472
Professional liability	67,675	25,031	92,706
HSA program	8,107	2,999	11,106
Vision program	15,118	5,591	20,709
Service contracts	103,267	38,195	141,462
Auditor fees	6,935	2,565	9,500
Commission per diem	5,968	2,207	8,175
Mileage expense	872	322	1,194
Electricity	7,228	2,673	9,901
Fees and assessments	3,424	1,267	4,691
Awards/recognition	7,075	2,617	9,692
Computer software/programming	35,145	12,999	48,144
Telephone	26,168	9,678	35,846
Office supplies	46,456	17,182	63,638
Natural gas	1,076	398	1,474
Water/wastewater	667	247	914
Office equipment	1,263	467	1,730
Data periodicals	53	20	73
Flowers	345	128	473
Newspaper ads/notices	28	10	38
	3,034,209	1,122,242	4,156,451

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES
FIRE AND SEWER ALLOCATIONS – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	ALLOCATED		
	FIRE	SEWER	TOTAL
PUBLIC SAFETY:			
Salaries	3,173,979	-	3,173,979
Fire chief	65,560	-	65,560
Staff personnel	324,345	-	324,345
Electricity	49,444	-	49,444
Fire fighting clothes	57,846	-	57,846
Fuel – heating	14,017	-	14,017
Telephone	12,720	-	12,720
Building and vehicle maintenance	59,762	-	59,762
Fire department equipment	92,207	-	92,207
Physicals and fitness program	43,677	-	43,677
Certifications/inspections	7,405	-	7,405
Duncan Chapel utilities	457	-	457
Uniforms	56,972	-	56,972
Water/wastewater	14,087	-	14,087
Radio maintenance	13,740	-	13,740
SCBA maintenance	12,981	-	12,981
Special supplies	10,228	-	10,228
Employee training	67,269	-	67,269
Fire prevention – safety education	6,441	-	6,441
Vehicle maintenance	8,294	-	8,294
Arson K-9	2,364	-	2,364
	4,093,795	-	4,093,795
SEWER MAINTENANCE:			
Salaries	-	774,369	774,369
Maintenance material	-	68,081	68,081
Superintendent	-	45,826	45,826
Equipment maintenance	-	17,441	17,441
Professional services	-	14,773	14,773
Pump stations	-	13,372	13,372
Equipment rental	-	241	241
Deductible damages	-	250	250
	-	934,353	934,353

PARKER SEWER AND FIRE SUBDISTRICT

DETAILED SCHEDULE OF EXPENDITURES
FIRE AND SEWER ALLOCATIONS – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	ALLOCATED		
	FIRE	SEWER	TOTAL
FLEET MAINTENANCE:			
Chief mechanic	20,768	13,846	34,614
Salaries	28,045	18,696	46,741
Shop equipment	4,508	3,006	7,514
Vehicle maintenance	3,996	2,664	6,660
Tires	14,767	9,844	24,611
Electricity	2,267	1,511	3,778
Phone/pager	1,800	1,200	3,000
Fuel	51,782	34,522	86,304
Natural gas	966	644	1,610
Water/wastewater	603	402	1,005
Parts purchased	56,726	37,817	94,543
Outsourced service	24,549	16,366	40,915
	210,777	140,518	351,295
DEBT SERVICE:			
Principal	255,912	94,653	350,565
Interest	30,056	11,117	41,173
	285,968	105,770	391,738
CAPITAL OUTLAYS:			
Public safety	2,144,358	-	2,144,358
Sewer maintenance	-	19,500	19,500
	2,144,358	19,500	2,163,858
TOTAL EXPENDITURES	$ 9,769,107	$ 2,322,383	$ 12,091,490

PARKER SEWER AND FIRE SUBDISTRICT

STATEMENTS OF GROSS REVENUES, EXPENDITURES FOR CAPITAL PROJECTS AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2018

	2014	2015	2016	2017	2018
REVENUES:					
Charges for services:					
Sewer rehabilitation charges	$ 1,875,768	$ 1,909,820	$ 1,925,756	$ 1,927,917	$ 1,959,499
Other	93,886	24,026	2,151	-	9,780
Other income:					
Interest	3,397	2,750	3,565	2,658	50,579
Sewer account charges	55,800	47,850	96,075	87,400	110,325
TOTAL REVENUES	2,028,851	1,984,446	2,027,547	2,017,975	2,130,183
EXPENDITURES:					
Current:					
General and administrative	24,538	7,193	35,382	79,861	93,409
Sewer maintenance	358,706	326,687	374,210	457,509	581,061
Debt service:					
Principal	-	-	-	251,005	507,264
Interest	-	-	-	52,162	241,284
Capital outlays:					
Sewer maintenance	2,541,722	1,100,955	1,328,118	3,536,722	4,339,832
TOTAL EXPENDITURES	2,924,966	1,434,835	1,737,710	4,377,259	5,762,850
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(896,115)	549,611	289,837	(2,359,284)	(3,632,667)
OTHER FINANCING SOURCES (USES):					
Capital lease proceeds	-	-	1,531,000	-	-
Bond proceeds	-	-	-	8,560,000	-
Bond premium	-	-	-	131,545	-
Bond issuance costs	-	-	-	(294,565)	-
TOTAL OTHER FINANCING SOURCES AND (USES)	-	-	1,531,000	8,396,980	-
NET CHANGE IN FUND BALANCES	$ (896,115)	$ 549,611	$ 1,820,837	$ 6,037,696	$ (3,632,667)
FUND BALANCES, Beginning of year	$ 3,852,418	$ 2,956,303	$ 3,505,914	$ 5,326,751	$ 11,364,447
FUND BALANCES, End of year	$ 2,956,303	$ 3,505,914	$ 5,326,751	$ 11,364,447	$ 7,731,780

PARKER SEWER AND FIRE SUBDISTRICT

PROJECTED DEBT SERVICE COVERAGE OF THE SYSTEM
FOR FISCAL YEARS ENDING JUNE 30

	2018 ACTUAL	2019	2020	2021	2022	2023
GROSS REVENUES	2,130,183	2,078,968	2,110,152	2,141,804	2,173,931	2,206,540
ANNUAL PRINCIPAL & INTEREST REQUIREMENTS	302,919	303,559	303,559	503,559	502,558	501,409
COVERAGE	7.03	6.85	6.95	4.25	4.33	4.40