

HOLLY SPRINGS FIRE – RESCUE DISTRICT

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2014**

HOLLY SPRINGS FIRE – RESCUE DISTRICT

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Independent Auditors' Report

Board of Commissioners
Holly Springs Fire and Rescue District
Inman, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Holly Springs Fire and Rescue District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Holly Springs Fire and Rescue District as of June 30, 2014, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2014 the District adopted accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

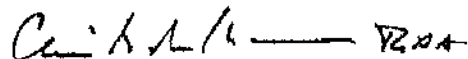
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015 on our consideration of the Holly Springs Fire and Rescue District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Gaffney, SC
June 11, 2015

HOLLY SPRINGS – FIRE RESCUE DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

Within this section of the Holly Springs Fire – Rescue District's (District) annual financial report, the District's management provides a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$653,423. Of this amount, \$188,893 may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$4,836 during the year ended June 30, 2014 compared to an increase of \$30,770 for the prior year. This change is primarily the result of an increase in property tax revenue.
- As of the close of the year, the District's General Fund reported an ending fund balance of \$194,762, an increase of approximately \$47,845 for the year ended June 30, 2014. Of this amount, \$5,895 is nonspendable as it is for prepaid expenses.
- The remaining General fund balance of \$188,867 is unassigned and thus is available for spending at the government's discretion.
- The District's capital assets decreased by \$78,999 during the current period, which is largely due to depreciation.
- For the year ended June 30, 2014, the District's General Fund revenues were \$366,979. General Fund expenditures were approximately \$351,438, as the District incurred \$214,701 for fire operations, \$35,304 for a new vehicle and \$101,433 in debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as changes in the District's tax base and the condition of the District's assets.

The second government-wide statement is the *Statement of Activities*, which reports how the District's net position changed during the current fiscal year. All current period revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues, such as grants and state-shared revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities included general government, public safety and public services. The District has no business type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the district's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District only has governmental funds.

Governmental Funds – Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison schedule is included as required other supplementary information for the general fund. This schedule presents budget to actual variances and demonstrates compliance with the District's adopted and final revised budget.

Notes to the Financial Statements

The notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also represents certain required supplementary information and other information containing additional detail on some of the functions and programs of the District.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities, which are the District's only activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, Continued

The District's net assets at June 30, 2014 were \$653,423. This is a \$4,836 increase from the previous period net assets of \$648,587. The following table provides a summary of the District's net assets for the periods ended June 30:

**Table 1
Summary of Net Assets**

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 210,761	\$ 181,266
Capital Assets	807,808	886,806
Total Assets	1,018,569	1,068,072
Long-term Debt Outstanding	343,278	397,133
Other Liabilities	21,868	22,352
Total Liabilities	365,146	419,485
Net Assets:		
Invested in Capital Assets, Net of Debt	464,530	489,673
Unrestricted	188,893	158,914
Total Net Assets	\$ 653,423	\$ 648,587

By far the largest portion of the District's net position (71%) reflects its investment in capital assets (land, buildings, land improvements, vehicles, equipment and furniture), less any related debt to acquire those assets still outstanding. The decrease from \$489,673 to \$464,530 was primarily due to depreciation exceeding capital asset additions and the amount of principal that was paid down on debt. The District uses these capital assets to provide firefighting services to the citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The remaining net assets (29%) are unrestricted and may be used to meet the District's ongoing obligation to citizens and creditors. The governmental activities unrestricted net assets increased to \$188,893 for the year ended June 30, 2014.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, Continued

The following table provides a summary of the District's changes in net assets for the periods ended June 30:

**Table 2
Summary of Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
General Revenues:		
Property Taxes	\$ 328,283	\$ 311,063
Grants	4,500	34,090
Other General Revenues	16,615	15,002
Total Revenues	<u>349,398</u>	<u>360,155</u>
Program Expenses		
Public Safety	329,004	311,188
Interest on Long-term Debt	15,558	18,197
Total Expenses	<u>344,562</u>	<u>329,385</u>
Increase (Decrease) in Net Assets	4,836	30,770
Beginning Net Position	648,587	617,817
Ending Net Position	<u>\$ 653,423</u>	<u>\$ 648,587</u>

The following is an analysis of the District's activities for the year ended June 30, 2014:

Revenues for the District's governmental activities decreased \$10,757 or 3%. This decrease is due to the decrease in grants revenue of \$29,590 at June 30, 2014.

The cost of all governmental activities for the year ended June 30, 2014 was \$344,562 compared to \$329,385 for the year ended June 30, 2013. This is an increase of \$15,177 or 4.6%. Of the cost of governmental activities, \$323,447 or 94% were financed by property taxes. Other general revenues and reserves financed the remaining \$21,115 or 6% of costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net available resources for spending at the end of the period. The general fund is the only governmental fund the District maintains.

General Fund – At the end of the current fiscal year, the unassigned fund balance of the general fund was \$188,867 as compared to \$141,940 for the year ended June 30, 2013. The nonspendable fund balance was \$5,895 as of June 30, 2014 as compared to \$4,977 as of June 30, 2013. This nonspendable amount relates to prepaid items, which is primarily comprised of insurance. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 55% of total general fund expenditures while the total fund balance represents 57% of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts and disbursements and encumbrances. The District did not amend the original budget for the general fund for the period under audit.

The final general fund budget increased by \$35,673 for the year ended June 30, 2014 as compared to the prior year. The final general fund budget for the year ended June 30, 2014 was \$291,500 compared to \$255,827 for the year ended June 30, 2013. This increase in budget was due to increased staffing and debt payments to be made ahead of schedule. Based upon increased call volume, the District created a budget to maintain an adequate level of service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities amounts to \$807,808 net of accumulated depreciation for the year ended June 30, 2014. The investment in capital assets includes land, buildings and improvements, land improvements, office and firefighting equipment and vehicles (see Table 3 below). The total decrease for the year ended June 30, 2014 was \$78,999. This is largely due to depreciation.

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 63,941	\$ 63,941
Buildings and Improvements	608,153	628,730
Equipment	47,536	67,959
Furniture and Fixtures	3,449	5,291
Vehicles	84,729	120,886
	<u>\$ 807,808</u>	<u>\$ 886,807</u>

Additional information about the District's capital assets is presented in Note 5 of the Notes to the Financial Statements.

Debt

The District had \$343,278 in debt outstanding for the period ending June 30, 2014. The District entered into one new debt agreement (a capital lease) for the period ended June 30, 2014.

Table 4
Outstanding Debt, at Year End

	Governmental Activities	
	2014	2013
Station Loan	\$ 310,549	\$ 365,435
Equipment Loans	-	31,698
Equipment Lease	32,729	-
	<u>\$ 343,278</u>	<u>\$ 397,133</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION, Continued

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of the assessed value of the property located in the District.

Additional information on the District's long-term debt is presented in Note 6 in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Spartanburg County, which includes the Holly Springs Fire – Rescue District is at 6.1%.
- The District is primarily a residential community. The District has experienced a population increase in the past five years.
- Property tax rates were assessed at .019 mills for the period audited.

All of these factors were considered in preparing the District's annual 2013 – 2014 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Holly Springs Fire – Rescue District at 3301 Highway 357, Inman, South Carolina, 29349.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Statement of Net Position
June 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash	\$ 186,178
Property Taxes Receivable, net	18,688
Prepaid Expenses	5,895
Capital Assets :	
Non-Depreciable	63,941
Depreciable, Net	743,867
Total Assets	1,018,569
<u>Liabilities</u>	
Accounts Payable	377
Payroll Liabilities	7,877
Accrued Interest Payable	13,614
Notes Payable	
Due Within One Year	73,052
Due in More Than One Year	270,226
Total Liabilities	365,146
<u>Net Position</u>	
Net Investment in Capital Assets	464,530
Unrestricted	188,893
Total Net Assets	\$ 653,423

The accompanying notes to the financial statements are an integral part of this financial statement.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Statement of Net Activities
June 30, 2014

Functions/Programs	Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
			Operating Grants and Contributions	Primary Governmental Activities		
Primary Government						
Governmental Activities						
Public Safety	\$	329,004	\$	4,500	\$	(324,504)
Interest on Long-Term Debt		15,558		-		(15,558)
Total Governmental Activities	\$	<u>344,562</u>	\$	<u>4,500</u>		<u>(340,062)</u>
General Revenues						
Property Taxes					328,283	
Intergovernmental					2,062	
Contribution Income					6,208	
Gain on Disposal of Assets					1,565	
Miscellaneous Income					6,780	
Total General Revenues					<u>344,898</u>	
Change in Net Assets					4,836	
Net Assets - Beginning of Period					648,587	
Net Assets - End of Period	\$				<u>653,423</u>	

The accompanying notes to the financial statements are an integral part of this financial statement.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
 Balance Sheet – Governmental Funds
 June 30, 2014

	General Fund
<u>Assets</u>	
Cash and Cash Equivalents	\$ 186,178
Property Taxes Receivable	25,133
Prepaid Insurance	5,895
Total Assets	\$ 217,206
<u>Liabilities</u>	
Accounts Payable	\$ 377
Payroll Liabilities	7,877
Total Liabilities	8,254
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	14,190
<u>Fund Balances</u>	
Nonspendable	
Prepays	5,895
Unassigned	188,867
Total Fund Balances	194,762
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 217,206

The accompanying notes to the financial statements are an integral part of this financial statement.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Position
 June 30, 2014

Total Fund Balances - Governmental Funds	\$	194,762
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because of the Following:		
Capital Assets Used in Governmental Activities are Not Financial Resources and Therefore are Not Reported as Assets in the Governmental Funds. The Cost of the Assets is \$2,076,426 and the Accumulated Depreciation is (\$1,268,618).		807,808
Property Taxes Receivable That are Not Available to Pay Current-Period Expenditures are Deferred in the Funds.		7,745
Long-term Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported as Liabilities in the Funds. Long-Term Liabilities Consist of:		
Accrued Interest Payable		(13,614)
Notes Payable		(343,278)
		<u> </u>
 Total Net Position - Governmental Activities	 \$	 <u>653,423</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
June 30, 2014

	General Fund
Revenues	
Property Taxes	\$ 345,864
Grant Revenue	4,500
Intergovernmental	2,062
Contributions	6,208
Miscellaneous	8,345
Total Revenues	366,979
Expenditures	
Public Safety	214,701
Capital	35,304
Debt Service	
Principal Retirement	86,584
Interest	14,849
Total Expenditures	351,438
Excess (Deficiency) of Revenues over Expenditures	15,541
Other Financing Sources (Uses)	
Capital Lease	32,304
Net Change in Fund Balance	47,845
Fund Balance - Beginning of Year	146,917
Fund Balance - End of year	\$ 194,762

The accompanying notes to the financial statements are an integral part of this financial statement.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances
 To the Statement of Activities
 June 30, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 47,845
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount by Which Depreciation Expense (\$114,303) Exceeds Capital Asset Additions in the Period.	(78,999)
The Issuance of Long-Term Debt (e.g., bonds, leases) provides current financial resources to governmental funds, but has no effect on net assets.	(32,304)
Repayment of Note Principal is an Expenditure in the Governmental Funds, but the Repayment Reduces Long-Term Liabilities in the Statement of Net Assets.	86,584
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when paid.	709
Revenues in the Statement of Activities That do not Provide Current Financial Resources are not Reported as Revenue in the Funds. This Consists of the Current Period Increase in Deferred Property Taxes.	<u>(18,999)</u>
Change in Net Position- Governmental Activities	<u>\$ 4,836</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

a. Reporting Entity

Holly Spring Fire – Rescue District (the District) provides fire and emergency protection and related services to the Holly Springs community. The District is supported by tax revenues and an emergency service contract with Spartanburg County. Spartanburg County bills and collects the District's property taxes.

The District is not included in any other governmental "reporting entity" as defined in the Governmental Accounting Standards Board (GASB) Sec. 2100.108 since Board members (five at the present time) are elected at large by the voters in the district and have decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. For these reasons, the District is recognized as a primary government in accordance with GAAP.

b. Component Units

Component units are legally separate entities for which the District (primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

c. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the District as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services – which report fees, fines, forfeitures and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

The District has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in the financial statements for the fiscal year ended June 30, 2014. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 1 – Summary of Significant Accounting Policies, Continued

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major governmental funds and enterprise funds are reported in separate columns with composite columns for non-major funds (if any).

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District have been prepared in conformity with United States generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, and applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds), revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year of which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation principal and interest which are reported as expenditures in the year due.

The major revenue source susceptible to accrual is property taxes. In general, other revenues are recognized when the cash is received.

e. Fund Types and Major Funds

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be use. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The district reports the following major governmental fund:

General Fund – The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of South Carolina and the bylaws of the District.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 1 – Summary of Significant Accounting Policies, Continued

f. Cash and Cash Equivalents

For financial statement purposes, the District considers all highly liquid investments (including restricted assets) purchased with an original maturity of three months or less to be cash equivalents. Those investments purchased with an original maturity of more than three months are classified as investments.

g. Receivables

All property taxes receivable are shown net of an allowance for uncollectibles.

h. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

i. Capital Assets, Depreciation and Amortization

The District's capital assets, which include property plant and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at estimated fair value on the date donated.

The District generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The District generally does not incur expenditures for public domain (infrastructure) fixed assets.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	5-40
Furniture and Equipments	5-20
Land improvements	20
Vehicles	5-20

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 1 – Summary of Significant Accounting Policies, Continued

j. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations 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.

In the government-wide financial statements for the District, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. If material, bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount and deferred advance refunding amounts. Bond issuance costs are included in other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

k. Compensated Absences

The District's policy is that neither vacation nor sick leave accumulates or carries over to the subsequent year; therefore, no accrual has been made for these items.

l. Net Assets and Fund Balance

District-Wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Net Investment in Capital Assets— The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Unrestricted — The difference between the assets and liabilities that is not reported in Net Investment in Capital Assets or Restricted Net Assets.

Restricted — The component of net assets that reports the difference between assets and liabilities that are restricted for a particular use or program.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 1 – Summary of Significant Accounting Policies, Continued

i. Net Assets and Fund Balance, Continued

Governmental Fund Financial Statements

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form (such as inventories or prepaid amount) or because they are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these are not expected to be converted to cash.

Restricted – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District had no restricted fund balances as of June 30, 2014.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District's Board of Commissioners. The District had no committed fund balances as of June 30, 2014.

Assigned – Amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The District has no assigned fund balances as of June 30, 2014.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet. The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

m. Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

n. Deferred Outflows/Inflows of Resources

In fiscal year 2014, the Fire District implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 2 – Budgetary Information

The Board of Commissioners adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared primarily in accordance with the basis of accounting utilized by the fund. Board approval is required for expenditures outside of the budget. The Board of Commissioners did formally amend the annual budget this year. All annual appropriations lapse at the end of the fiscal year.

Note 3 – Cash and Cash Investments

The District maintains a checking account with one financial institution. At the fiscal year ended June 30, 2014, the reported amount of the District's cash deposits was \$186,178, and the bank balance was \$188,548. The balance for the period under audit was covered by the Federal Deposit Insurance Corporation.

For the purposes of these financial statements, the District considers all unrestricted highly liquid investments with maturities of three months or less to be cash equivalents.

Statutes authorize the District to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the state of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations and the state treasurer's investment pool. Investments are carried at cost.

Note 4 – Property Taxes

Tax revenues are based upon property taxes levied by the Spartanburg County Auditor each fall on the assess valuation of the property located in the District as of the preceding January 1. The tax books are open for collection September 1, with the first penalty of 3% applied to payments made after January 15, the due date. An additional penalty of 5% is charged for payments made after January 31. Uncollected property taxes attach as an enforceable lien on January 1. Uncollected property taxes as of March 15 are transferred to the Spartanburg County Delinquent Tax Collector at which time an additional 5% penalty is assessed. Spartanburg County bills and collects the property taxes for the District.

The assessed value of the District's real and personal property for the year ended June 30, 2014 totaled approximately \$17.395 million. The District's operating tax rate for the fiscal year ended June 30, 2014 was 16.7 mills.

In the governmental fund financial statements for the year ended June 30, 2014, property taxes receivable are the uncollected taxes as of June 30, 2014 net of an allowance for uncollectible accounts. Unavailable revenue—property taxes is the amount of those taxes not collected within 60 days. The amount for the fiscal year ended June 30, 2014 is presented below:

Gross Property Taxes Receivable	\$ 25,133
Less Allowance for Uncollectible Accounts	6,445
Net Property Taxes Receivable	<u>\$ 18,688</u>
 Amount collected within 60 days	 <u>\$ 10,943</u>

In the government-wide financial statements, property taxes receivable include all amounts due to the District (net of allowance for uncollectible) regardless of when cash is received.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 5 – Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (government-wide and proprietary funds) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditures) until then. The Fire District currently has no deferred outflows of resources.

In addition to liabilities, the statement of net position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fire District currently has one type of deferred inflows of resources, which arises only under the modified accrual basis of accounting. This item, unavailable revenue- property taxes, is reported only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amount become available.

Note 6 – Capital Assets

The following table provides a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Primary Government				
Governmental Activities				
<u>Capital Assets, Not Being Depreciated</u>				
Land	\$ 63,941	-	-	\$ 63,941
Total Capital Assets, Not Being Depreciated	63,941	-	-	63,941
<u>Capital Assets, Being Depreciated</u>				
Buildings and improvements	799,185	-	-	799,185
Equipment	298,998	-	-	298,998
Furniture and Fixtures	44,770	-	-	44,770
Vehicles	840,428	35,304	6,200	869,532
Total Capital Assets, Being Depreciated	1,983,381	35,304	6,200	2,012,485
<u>Less Accumulated Depreciation For</u>				
Buildings and Improvements	170,455	20,577	-	191,032
Equipment	231,039	20,423	-	251,462
Furniture and Fixtures	39,479	1,842	-	41,321
Vehicles	719,542	71,461	6,200	784,803
Total Accumulated Depreciation	1,160,515	114,303	6,200	1,268,618
 Total Capital Assets, Being Depreciated, Net	 822,866	 (78,999)	 -	 743,867
 Governmental Activities Capital Assets, Net	 \$ 886,807	 (78,999)	 -	 \$ 807,808

All depreciation expense was charged to the Public Safety function. Depreciation expense for the year ended June 30, 2014 was \$114,303.

The purchase of a 2006 Contender Truck and a 2009 Ford F-550 are partially funded by FEMA grants. According to the grant agreement, the District may not transfer or convey, including leasing the property, without the written consent of FEMA.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 7 – Long-Term Debt

The following tables provide a summary of the changes in general long-term debt for the fiscal year ended June 30, 2014:

Long-Term Debt

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
<u>Governmental Activities</u>				
<u>General Obligation Debt</u>				
Note payable to a financial institution for \$87,500, for a vehicle, with annual payments of \$16,399 including interest at 3.46%. Payments began November 2009, matures November 2014	\$ 31,698	-	31,698	\$ -
The note payable to a financial institution for \$492,886, for a building, was refinanced on August 2012 for \$365,435, with annual payments of \$70,052 including interest at 4.15%. Payments began August 2012, matures August 2018.	\$ 365,435	-	54,886	310,549
<u>Capital Lease</u>				
Lease purchase with two annual installments of \$17,851.48 including interest at 6.0% per annum. Secured by transportation equipment. Due July, 2015.	-	32,729	-	32,729
Total Government Long-Term Debt	\$ 397,133	32,729	86,584	\$ 343,278

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 are as follows:

Year	Governmental Activities		Capital Lease		Total	
	General Obligation Debt		Principal	Interest	Principal	Interest
	Principal	Interest				
2015	\$ 57,164	\$ 12,888	15,888	1,964	73,052	14,852
2016	59,536	10,515	16,841	1,010	76,377	11,525
2017	62,007	8,045	-	-	62,007	8,045
2018	64,581	5,471	-	-	64,581	5,471
2019	67,261	2,791	-	-	67,261	2,791
Totals	\$ 310,549	\$ 39,710	32,729	2,974	343,278	42,684

For the fiscal year ended June 30, 2014 interest expense for the General Fund was \$14,849.

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Financial Statements, Continued
June 30, 2014

Note 8 – Defined Benefit Pension Plan

The District contributes to the South Carolina Retirement System (SCRS), which is a cost sharing, multiple employer defined benefit pension plan administered by the South Carolina Retirement System, a division of the State Budget and Control Board.

All full-time employees of the District are required to participate in SCRS as a condition of employment. Employees who retire at or after the age 65 or with 28 years of credited service at any age are entitled to a retirement benefit, payable monthly for life, equal to 1.82% of average final compensation multiplied by the number of years of credited service. Average final compensation is the employee's average salary over the last three years of credited service. Vested employees may retire at age 55 or 60 with 25 years service and receive reduced retirement benefits. SCRS also provides disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. Benefits are established under the authority of Title 9 of the South Carolina Code of Laws.

The South Carolina Retirement System issues a publicly available comprehensive annual financial report containing financial statement and required supplementary information for SCRS. This report may be obtained by writing to South Carolina Retirement System, PO Box 11960, Columbia, SC 29211-1960.

PORS Plan members are required to contribute 7.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate for the periods under audit is 11.90% of annual covered payroll plus .20% for incidental death benefit is .20% for accidental death contributions. The District's contributions to PORS for the year ended June 30, 2014 were \$876, which equals 100% of the required contributions.

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. Commercial insurance is also carried for workers' compensation.

The District participates in certain federal programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

Required Supplementary Information

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 290,500	290,500	345,864	\$ 55,364
Grant	-	-	4,500	4,500
Intergovernmental	-	-	2,062	2,062
Contributions	-	-	6,208	6,208
Miscellaneous	-	-	8,345	8,345
Total Revenues	<u>290,500</u>	<u>290,500</u>	<u>366,979</u>	<u>76,479</u>
Expenditures				
Public Safety	194,000	194,000	214,701	(20,701)
Capital	-	-	35,304	(35,304)
Debt Service	-	-	-	-
Principal and Interest	<u>97,500</u>	<u>97,500</u>	<u>101,433</u>	<u>(3,933)</u>
Total Expenditures	<u>291,500</u>	<u>291,500</u>	<u>351,438</u>	<u>(59,938)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,000)</u>	<u>(1,000)</u>	<u>15,541</u>	<u>(16,541)</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	-	32,304	(32,304)
Net Change in Fund Balance	(1,000)	(1,000)	47,845	(48,845)
Fund Balance - Beginning of Year	<u>146,917</u>	<u>146,917</u>	<u>146,917</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 145,917</u>	<u>145,917</u>	<u>194,762</u>	<u>\$ (48,845)</u>

HOLLY SPRINGS FIRE – RESCUE DISTRICT
Notes to Required Supplementary Information
June 30, 2014

Note 1 – Budgetary Information

The District's budget policies and practices are fully discussed in Note 2 of the Notes to Financial Statements.

Note 2 – Excess of Expenditures over Appropriations

In the general fund, expenditures for some of the functions exceeded their appropriated amounts. The excess expenditures of the various functions were funded with excess appropriations in other functions and revenue sources that were not budgeted. In addition, some expenditures are allocated to one function for budget purposes; however, for financial statements purposes expenditures are allocated to the function for which it applies.

Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards

Holly Springs Fire and Rescue District
Inman, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Holly Springs Fire and Rescue District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprised Holly Springs Fire and Rescue District's basic financial statements, and have issued our report thereon dated June 11, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items **MW 14-01, MW 14-02, MW 14-03 and MW 14-04** to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

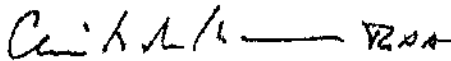
We noted certain matters that we reported to management of District, in a separate letter dated June 11, 2015.

District's Response to the Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and question costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Gaffney, SC
June 11, 2015