

DONALDSON CENTER FIRE SERVICE AREA

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

DONALDSON CENTER FIRE SERVICE AREA

GREENVILLE, SOUTH CAROLINA

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BRADSHAW, GORDON & CLINKSCALES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Del L. Bradshaw, CPA/ABV, CFF
Andrew F. Foth, CPA
Dell Baker, CPA
Peter C. Tiffany, CPA/ABV, CFF

Mandy B. Satterfield
Sandra L. Watkins, CPA, CFP®
Laura H. Foster, CPA
Ellison D. Smith, CPA

Roger B. Clinkscapes, CPA
1954-2014

Roger R. Duncan, CPA
1956-2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Control
Donaldson Center Fire Service Area
Greenville, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Donaldson Center Fire Service Area (DCFSA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise DCFSA'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 DCFSA as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2015 DCFSA adopted provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on pages 29 through 31, the Schedule of Donaldson Center Fire Service Area's Proportionate Share of the Net Pension Liability – South Carolina Retirement System on page 32, and the Schedule of Donaldson Center Fire Service Area's Contributions – South Carolina Retirement System on page 33 and the Notes to Required Supplementary Information on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bradshaw, Gordon + Clinkscales, LLC

December 10, 2015

DONALDSON CENTER FIRE SERVICE AREA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government Governmental Activities
ASSETS:	
Cash – Unrestricted	\$ 76,932
Cash and investments held by county treasurer – restricted for debt service	38,314
Cash and investments held by county treasurer	1,485,727
Property taxes receivable, net	52,564
Capital assets, net of accumulated depreciation	778,318
Debt issuance costs, net of accumulated amortization	<u>4,271</u>
TOTAL ASSETS	<u>2,436,126</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	<u>168,303</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>168,303</u>
LIABILITIES:	
Accounts payable	4,277
Accrued payroll	44,750
Accrued retirement	3,098
Other accrued expenses	1,877
Long-term liabilities:	
Due within one year:	
Accrued compensated absences	25,997
Amortizable bond premium	3,212
Bond payable	115,000
Due in more than one year:	
Net Pension Liability	1,902,616
Amortizable bond premium	3,210
Bond payable	<u>115,000</u>
TOTAL LIABILITIES	<u>2,219,037</u>

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

DONALDSON CENTER FIRE SERVICE AREA

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2015

DEFERRED INFLOWS OF RESOURCES	
Deferred pension credits	<u>160,404</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>160,404</u>
NET POSITION:	
Net investment in capital assets	560,482
Restricted for debt service	38,314
Unrestricted	<u>(373,808)</u>
TOTAL NET POSITION	<u>\$ 224,988</u>

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

DONALDSON CENTER FIRE SERVICE AREA

STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2015

	<u>Primary Government Governmental Activities</u>
PROGRAM EXPENSES:	
Fire Protection:	
Personnel	\$ 1,217,138
General	120,194
Lockheed expenses	214,694
Pension	133,352
Depreciation	90,053
Amortization	2,135
Interest expense	<u>5,988</u>
Total Program Expenses	<u>1,783,554</u>
PROGRAM REVENUES:	
Charges for services:	
Lockheed contract	<u>230,410</u>
Total Program Revenues	<u>230,410</u>
Net Program Expense	<u>(1,553,144)</u>
GENERAL REVENUES:	
Property taxes	1,380,178
Interest income	7,782
Gain on sale of capital assets	10,000
Other revenue	<u>6,500</u>
Total General Revenues	<u>1,404,460</u>
DECREASE IN NET POSITION	<u>(148,684)</u>
NET PENSION, Beginning of year, as previously reported	2,249,427
Cumulative Change in Accounting Principle - See Note 1	<u>(1,875,755)</u>
NET POSITION, Beginning of year, as restated	<u>373,672</u>
NET POSITION, End of year	<u>\$ 224,988</u>

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

DONALDSON CENTER FIRE SERVICE AREA

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash	\$ 76,932	\$ -	\$ 76,932
Cash and investments held by county treasurer	1,485,727	38,314	1,524,041
Property taxes receivable, net	<u>52,564</u>	<u>-</u>	<u>52,564</u>
TOTAL ASSETS	<u>\$ 1,615,223</u>	<u>\$ 38,314</u>	<u>\$ 1,653,537</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 4,277	\$ -	\$ 4,277
Accrued payroll	44,750	-	44,750
Accrued retirement	3,098	-	3,098
Other accrued expenses	<u>1,877</u>	<u>-</u>	<u>1,877</u>
Total Liabilities	<u>54,002</u>	<u>-</u>	<u>54,002</u>
FUND BALANCES:			
Restricted for:			
Debt service	-	38,314	38,314
Unassigned	<u>1,561,221</u>	<u>-</u>	<u>1,561,221</u>
Total Fund Balances	<u>1,561,221</u>	<u>38,314</u>	<u>1,599,535</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,615,223</u>	<u>\$ 38,314</u>	

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

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

Buildings and improvements, vehicles, fire trucks, and equipment, net of accumulated depreciation of \$1,356,831. 778,318

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 recorded in the governmental funds but are recorded in the Statement of Net Position. (1,894,717)

Capitalized debt issuance costs are not reported in the governmental funds, net of accumulated amortization of \$6,967. 4,271

Long-term liabilities applicable to DCFSA's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities:

Accrued compensated absences	(25,997)
Amortizable bond premium	(6,422)
Bond payable	<u>(230,000)</u>

Total Net Position of Governmental Activities **\$ 224,988**

DONALDSON CENTER FIRE SERVICE AREA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 1,298,831	\$ 84,302	\$ 1,383,133
Charges for services:			
Lockheed contract	230,410	-	230,410
Interest income	7,782	-	7,782
Other revenue	6,500	-	6,500
	<u>1,543,523</u>	<u>84,302</u>	<u>1,627,825</u>
Total Revenues			
EXPENDITURES:			
Current:			
Personnel	1,319,482	-	1,319,482
General	120,194	-	120,194
Lockheed	228,812	-	228,812
Capital Outlay	45,004	-	45,004
Debt Service:			
Interest paid	-	9,200	9,200
	<u>1,713,492</u>	<u>9,200</u>	<u>1,722,692</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>(169,969)</u>	<u>75,102</u>	<u>(94,867)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	10,000	-	10,000
Repayment of bond	-	(115,000)	(115,000)
	<u>10,000</u>	<u>(115,000)</u>	<u>(105,000)</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	(159,969)	(39,898)	(199,867)
FUND BALANCES, Beginning of year	<u>1,721,190</u>	<u>78,212</u>	<u>1,799,402</u>
FUND BALANCES, End of year	<u>\$ 1,561,221</u>	<u>\$ 38,314</u>	<u>\$ 1,599,535</u>

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

DONALDSON CENTER FIRE SERVICE AREA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015

	<u>Total Governmental Funds</u>
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, 2015:	
Net change in fund balances – total governmental funds	\$ (199,867)
Governmental funds report property taxes that will be collected in the future, but that are not available soon enough to be used as current financial resources. Therefore, deferred property tax revenue is not reported as revenue in the Statement of Revenues, Expenditures and Changes in Fund Balance. This amount represents the change in deferred property tax revenues for the year.	(2,955)
Some expenses reported on the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as revenues or expenditures in the governmental funds.	
Compensated absences	2,073
Amortization of debt issuance costs	(2,135)
Governmental funds report capital asset additions 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 (\$90,053) exceeded capital outlays (\$45,004) in the current year.	(45,049)
Changes in DCFSAs 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.	(18,963)
Bond and note 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 and note 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 of repayments in the current period.	115,000
Proceeds in excess of bond face value provide current financial resources to governmental funds, but deferring the premium increases long-term liabilities in the Statement of Net Position. The bond premium is income in the governmental funds, but the amortization of the bond premium reduces the long-term liabilities in the Statement of Net Position. This is the amount of amortization in the current period.	<u>3,212</u>
Change in Net Position of Governmental Activities	<u>\$ (148,684)</u>

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

DONALDSON CENTER FIRE SERVICE AREA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Donaldson Center Fire Service Area (DCFSA) is a special tax district created by an ordinance of Greenville County, South Carolina County Council. DCFSA provides fire protection within its boundaries. The governing body is the Control Board appointed by the County Council.

For the purpose of applying accounting principles generally accepted in the United States of America to its activities, DCFSA'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) DCFSA is a public benefit entity and (b) upon dissolution of DCFSA, all of the net position would revert to another governmental entity as pursuant to state law, DCFSA meets the criteria set forth in the definition of a governmental entity. Accordingly, the accompanying financial statements of DCFSA have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Presentation: The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of DCFSA (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, DCFSA 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 or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and operating grants and contributions that are restricted for use in a specific program. Property taxes from Greenville County, unrestricted grants and contributions 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. DCFSA has presented the following major governmental funds:

- General Fund – This fund is used as an operating fund for all financial resources not required to be accounted for in another fund and is funded primarily by property taxes from Greenville County. This is a budgeted fund, and any fund balance is considered a resource available for use.
- Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for, and payments of, general obligation bond principal, interest and related costs. The Greenville County Treasurer calculates and collects property taxes levied for the purpose of retiring general obligation bonds and remits them directly to the bond paying agent.

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 financial 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 position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of the timing of related cash flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. DCFSA considers revenues as available if they are collected within 60 days of year-end. The revenues susceptible to accrual include funds received from property taxes and Lockheed contracted 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, any claims and judgments, and compensated absences, 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, notes payable and acquisitions under capital leases are reported as other financing sources.

Investments: DCFSA’s investment policy is designed to operate within existing state statutes. State 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) savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation (FDIC).

DCFSA’s cash investment objectives are preservation of capital, liquidity and yield. DCFSA reports its cash and investments at fair value, which is normally determined by quoted market prices. DCFSA currently or in the past year has used the following investment:

- Cash and investments held by the County Treasurer, which are property taxes collected by DCFSA’s fiscal agent that have not yet been remitted to DCFSA and unspent bond proceeds. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the fund and are paid out by the County Treasurer to the respective governments on a periodic basis.

Unspent Bond Proceeds: Cash and investments held by the County Treasurer include \$18,587 in unspent bond proceeds. DCFSA plans to spend these proceeds during the coming year. The bond payable on the Statement of Net Position has been reduced by this amount in the calculation of net investment in capital assets at June 30, 2015.

Property Taxes Receivable: Property taxes receivable consists of real and personal property taxes that are to be collected by Greenville County and remitted to DCFSA. Management considers all receivables to be fully collectible and accordingly no allowance for doubtful accounts is required.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All capital assets acquired or constructed are recorded at historical cost (or estimated historical cost). Contributed capital assets are recorded at estimated fair market value at the date of donation and/or historical cost. During the year ended June 30, 2015, DCFSA purchased a vehicle and equipment for a combined cost of \$45,004. DCFSA’s capitalization limit for buildings, building improvements, equipment and fire trucks is \$5,000. Interest is not capitalized during the construction of capital assets. Other than land and construction in progress, all capital assets are depreciated over their estimated useful lives using the straight-line method. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate fixed asset category. Improvements are depreciated over the remaining useful lives of the related capital assets.

In the government-wide financial statements, maintenance and repairs are expensed when incurred. Betterments and renewals that meet DCFSA’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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	15 – 39 years
Vehicles	5 years
Fire trucks	10 years
Equipment	5 – 10 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions: In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 10 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. DCFSA 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 DCFSA'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). DCFSA currently has one type of deferred outflows of resources: (1) DCFSA reports deferred pension charges in its Statements of Net Position in connection with its participation in the South Carolina 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). DCFSA currently has two types of deferred inflows of resources: (1) DCFSA 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) DCFSA also reports deferred pension credits in its Statements of Net Position in connection with its participation in the South Carolina Retirement System. 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 DCFSA 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 resources 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 DCFSA’s highest level of decision-making authority, the Board of Control. Commitments may be changed or lifted only by DCFSA 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 DCFSA for specific purposes that are neither restricted nor committed. Intent is expressed by (a) DCFSA or (b) a body (the Board of Control, fire chief, or Greenville County) to which the assigned amounts are to be used for specific purposes.
- Unassigned Fund Balance – includes all residual amounts in governmental funds that are not classified as nonspendable, restricted, committed, or assigned. This residual classification is used for all negative fund balances.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Restricted Assets/Net Position: Restricted assets include any assets restricted as to their use in specific DCFSA programs either through enabling legislation or through external restrictions imposed by donors, grantors, creditors, or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, DCFSA first applies restricted net position and then unrestricted net position. At June 30, 2015, DCFSA had restricted assets of \$38,314 of cash in the Debt Service Fund.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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: DCFSA implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB #68)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB #71 and collectively, Statements)* in the year ended June 30, 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of DCFSA's financial obligations to current and former employees for past services rendered. In particular, these Statements require DCFSA to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The adoption of these Statements had no impact on DCFSA’s governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority (“PEBA”) who administers the Plans. However, the adoption has resulted in the restatement of DCFSA’s net position as of July 1, 2014 for its government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of DCFSA’s government-wide financial statements as of July 1, 2014 was decreased by approximately \$1,875,755, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note 10 for more information regarding DCFSA’s retirement plans.

Custodial Credit Risk Related to Deposits: Custodial credit risk is the risk that in the event of a bank failure, DCFSA’s deposits may not be returned. South Carolina state law requires banks to collateralize deposits for governmental entities that exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). Accounts held at each institution are insured by the FDIC up to \$250,000. DCFSA has no additional deposit policy for custodial credit risk. As of June 30, 2015, none of DCFSA’s bank balance was exposed to custodial credit risk.

NOTE 2 – DEPOSITS AND INVESTMENTS

As of June 30, 2015, DCFSA had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Cash and investments held by County Treasurer	Unrated	\$ 1,524,041	0.63%

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

DCFSA does not typically put its funds in security investments, and thus, has not developed a policy for credit risk, custodial credit risk or concentration of credit risk for these types of investments. All of the County’s deposits are either insured by the FDIC or collateralized with securities held by the County’s agents in the County’s name.

NOTE 3 – PROPERTY TAXES

Greenville County, South Carolina (the “County”) is responsible for levying and collecting sufficient property taxes to meet its funding obligation for DCFSA. This obligation is established each year by the Greenville County Council and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

NOTE 3 – PROPERTY TAXES (CONTINUED)

Property taxes are levied and billed by the County on real and business personal properties on October 1 based on an assessed value of approximately \$18.0 million at rates of 51.6 mills for the General Fund and 3.5 mills for the Debt Service Fund. 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 collection costs

Current year real and business personal taxes become delinquent on March 16. Unpaid property taxes become a lien against property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

DCFSA has recorded uncollected, delinquent property taxes at June 30, 2015 of \$52,564. Delinquent property taxes of \$52,564 have been recognized as revenue at June 30, 2015 because it was collected within 60 days of year end and had been received by DCFSA or its fiscal agent (the County). At June 30, 2015 there were no deferred inflows of resources because all the delinquent property tax receivable of \$52,564 was collected within 60 days after year end.

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets activities for the year ended June 30, 2015:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 650,340	\$ -	\$ -	\$ 650,340
Vehicles	118,412	38,504	(17,982)	138,934
Fire Trucks	1,154,061	-	-	1,154,061
Equipment	<u>185,314</u>	<u>6,500</u>	<u>-</u>	<u>191,814</u>
Total Capital Assets Being Depreciated	<u>2,108,127</u>	<u>45,004</u>	<u>(17,982)</u>	<u>2,135,149</u>
Less accumulated depreciation:				
Buildings and improvements	264,833	17,180	-	282,013
Vehicles	117,874	6,314	(17,982)	106,206
Fire Trucks	811,465	43,275	-	854,740
Equipment	<u>90,588</u>	<u>23,284</u>	<u>-</u>	<u>113,872</u>
Total Accumulated Depreciation	<u>1,284,760</u>	<u>90,053</u>	<u>(17,982)</u>	<u>1,356,831</u>
Capital assets being depreciated, net	<u>823,367</u>	<u>(45,049)</u>	<u>-</u>	<u>778,318</u>
Governmental Activities Capital Assets, Net	<u>\$ 823,367</u>	<u>\$ (45,049)</u>	<u>\$ -</u>	<u>\$ 778,318</u>

Depreciation expense of \$90,053 related to capital assets that serve all DCFSA functions is included as a separate line item in the accompanying Statement of Activities for the year ended June 30, 2015.

NOTE 5 – DEBT ISSUANCE COST

Debt issuance costs totaling \$11,238 were incurred in July 2011 as part of the general obligation bond issuance. These costs are being amortized over the life of the debt. During the year ended June 30, 2015, amortization expense totaled \$2,135 and was reported in the accompanying Statement of Activities.

Future amortization of the debt issuance costs is as follows:

2016	\$ 2,135
2017	<u>2,136</u>
	<u>\$ 4,271</u>

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Amount due in one year</u>
Governmental activities:					
General obligation bond payable	\$ 345,000	\$ -	\$ (115,000)	\$ 230,000	\$ 115,000
Amortizable bond premium	9,634	-	(3,212)	6,422	3,212
Other liabilities:					
Compensated absences	<u>28,070</u>	<u>-</u>	<u>(2,073)</u>	<u>25,997</u>	<u>25,997</u>
Governmental activities long-term liabilities	<u>\$ 382,704</u>	<u>\$ -</u>	<u>\$ (120,285)</u>	<u>\$ 262,419</u>	<u>\$ 144,209</u>

Compensated absences have been liquidated in the past by the General Fund. DCFSA’s policy regarding compensated absences is described in Note 7.

In July 2011, Greenville County Council issued \$565,000 of general obligation bonds on behalf of DCFSA. The bond issue was used to finance the costs of the acquisition and equipping of a pumper fire truck and other firefighting apparatus for the DCFSA. The general obligation bond principal is payable annually on April 1 in incrementally increasing installments through 2017. Interest is payable semi-annually on April 1 and October 1, at interest rates ranging from 2% to 3%, through 2017. Interest expense for the year ended June 30, 2015 was \$9,200. The general obligation bonds will be liquidated by the Debt Service Fund.

The sales proceeds from the bond issuance totaled \$584,270, producing a bond premium of \$19,270, which is being amortized over the life of the debt offsetting the interest expense. During the year ended June 30, 2015, amortization of the premium totaled \$3,212 and was netted against interest expense on the accompanying Statement of Activities.

Future amortization of the bond premium is as follows:

2016	\$ 3,212
2017	<u>3,210</u>
	<u>\$ 6,422</u>

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements on bonds payable are as follows:

GOVERNMENTAL ACTIVITIES

<u>Year ending June 30</u>	<u>General Obligation Bond Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 115,000	\$ 6,900
2017	115,000	3,450
	<u>\$ 230,000</u>	<u>\$ 10,350</u>

NOTE 7 – COMPENSATED ABSENCES

DCFSA provides annual leave to employees based on length of service. The financial statements reflect an accrual for the estimated liability based on the straight-time hourly rates in effect at June 30, 2015.

NOTE 8 – WELFARE BENEFIT PLAN

DCFSA provides medical insurance coverage through a private insurance company to its employees and their dependents, at no cost to employees. Dental and vision insurance is provided at no cost to the employee for the employee's premium, and offers dependent coverage at additional cost.

Life insurance of \$40,000 per employee is provided through a private insurance company, at no cost to the employee for his coverage. Employees can purchase additional coverage limits or dependent coverage through payroll deductions.

NOTE 9 – RISK MANAGEMENT

DCFSA is exposed to various types of risk including loss related to torts; theft of, damage to and destruction of real and personal property; injuries to employees and others; and damage to property of others. Therefore, DCFSA purchased insurance coverage for its property, auto, and tort liability from the South Carolina Firemen's Association (SCFA). The SCFA is a public entity risk pool that currently provides property and casualty insurance for its members in a manner similar to commercial insurance providers. DCFSA pays premiums to SCFA for the insurance coverage obtained.

NOTE 9 – RISK MANAGEMENT (CONTINUED)

DCFSA continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee medical and life insurance (Note 8). There were no significant reductions in insurance coverage during the year ended June 30, 2015 and no claim settlements have exceeded insurance coverage during the years ended June 30, 2015, 2014 or 2013.

NOTE 10 – PENSION PLAN

General Information about the Pension Plan

DCFSA participates in one of 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, PO Box 11960, Columbia, SC 29211-1960. 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.

Plan Description: 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.

Plan Membership: 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.

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

NOTE 10 – PENSION PLAN (CONTINUED)

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years 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 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.

Contributions: Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS 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. 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 DCFSA are required to contribute to the Plan at rates established and as amended by the PEBA. DCFSA’s contributions are actuarially determined but are communicated to and paid by DCFSA as a percentage of the employees’ annual eligible compensation as follows for the past three years:

	2013	2014	2015
Employer Rate:			
Retirement	10.45%	10.45%	10.75%
Incidental Death Benefit	0.15%	0.15%	0.15%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>

NOTE 10 – PENSION PLAN (CONTINUED)

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

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>% Contributed</u>
June 30, 2015	\$ 114,391	100%
June 30, 2014	\$ 106,349	100%
June 30, 2013	\$ 105,902	100%

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

<u>Fiscal Year Ended</u>	
June 30, 2015	\$ 1,049,455
June 30, 2014	\$ 1,003,292
June 30, 2013	\$ 997,779

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, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and the financial information of the pension trust funds as of June 30, 2014, 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 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, 2014, NPL amounts for the SCRS are as follows:

<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
\$ 42,955,205,796	\$ 25,738,521,026	\$ 17,216,684,770	59.92%

NOTE 10 – PENSION PLAN (CONTINUED)

At June 30, 2015, DCFSA reported a liability of \$1,902,616 for its proportionate share of the net pension liability for the SCRS Plan. The net pension liability was measured as of June 30, 2014, 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, 2013 that was projected forward to the measurement date. DCFSA's proportion of the net pension liability was based on a projection of DCFSA'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, 2014, DCFSA's SCRS proportion was 0.011 percent, which was equal to its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, DCFSA recognized pension expense of \$133,352. At June 30, 2015, DCFSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,912	\$ -
Net difference between projected and actual earnings on pension plan investments	-	160,404
DCFSA contributions subsequent to the measurement date	<u>114,391</u>	<u>-</u>
	<u>\$ 168,303</u>	<u>\$ 160,404</u>

Of DCFSA's deferred outflows of resources relating to pensions, \$114,391 resulted from contributions to the SCRS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

<u>Year Ended June 30:</u>	
2016	\$ (23,425)
2017	(23,425)
2018	(23,425)
2019	<u>(36,217)</u>
	<u>\$ (106,492)</u>

NOTE 10 – PENSION PLAN (CONTINUED)

Actuarial assumptions and methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013 valuations for SCRS.

Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50%
Projected salary increases	levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

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 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Female (with Blue Collar adjustment) multiplied by 115%

NOTE 10 – PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. 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. The actuarial long-term assumptions for other assets classes are based on historical results, current market characteristics and professional judgement.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

NOTE 10 – PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<i>Short Term</i>	5%		
Cash	2%	0.30%	0.01%
Short Duration	3%	0.60%	0.02%
<i>Domestic Fixed Income</i>	13%		
Core Fixed Income	7%	1.10%	0.08%
High Yield	2%	3.50%	0.07%
Bank Loans	4%	2.80%	0.11%
<i>Global Fixed Income</i>	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets			
Debt	6%	4.10%	0.25%
<i>Global Public Equity</i>	31%	7.80%	2.42%
<i>Global Tactical Asset Allocation</i>	10%	5.10%	0.51%
<i>Alternatives</i>	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	<u>100%</u>		5.88%
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>8.63%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. 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.

NOTE 10 – PENSION PLAN (CONTINUED)

The following table presents the sensitivity of DCFSA's proportionate share of the net pension liability of the Plan as of June 30, 2014 to changes in the discount rate. It shows DCFSA's liability as calculated using the discount rate of 7.5 percent, as well as what the liability would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 2,462,103	\$ 1,902,616	\$ 1,435,843

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE 11 – DEFERRED COMPENSATION PLAN

DCFSA offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code that is administered by the State of South Carolina Deferred Compensation Commission, which has custody of the plan assets. The plan, available to all DCFSA employees, permits them to defer a portion of their salary until future years. DCFSA makes no matching contributions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 12 – LOCKHEED CONTRACT

To comply with government contract requirements, Lockheed Martin, one of DCFSA's largest taxpayers, contracts with DCFSA for fire service protection. The contract, as currently amended, requires three firefighters and one truck to be assigned for this purpose. The personnel and equipment costs are a part of the annual budget.

As of August 1, 2014, this contract was modified to include Army National Guard. As a result of this modification, Army National Guard will pay a portion of the Lockheed Contract in return for the use of an ARFF vehicle.

REQUIRED SUPPLEMENTARY INFORMATION

DONALDSON CENTER FIRE SERVICE AREA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2015

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 1,469,607	\$ 1,298,831	\$ (170,776)
Charges for services:			
Lockheed contract	235,712	230,410	(5,302)
Interest income	-	7,782	7,782
Other revenue	-	6,500	6,500
TOTAL REVENUES	<u>1,705,319</u>	<u>1,543,523</u>	<u>(161,796)</u>
EXPENDITURES:			
Current:			
Personnel:			
Salaries	905,516	901,656	3,860
FICA	69,272	69,100	172
Health/life/dental insurance	231,519	207,707	23,812
Retirement	96,000	100,077	(4,077)
Unemployment	100	-	100
Workers' compensation	41,600	40,942	658
Total Personnel	<u>1,344,007</u>	<u>1,319,482</u>	<u>24,525</u>
General:			
Audit and professional fees	4,700	4,500	200
Building maintenance	10,000	6,689	3,311
Computer maintenance	3,000	3,000	-
Contingencies	11,000	8,770	2,230
Copy/fax machine	1,500	892	608
Equipment maintenance	2,000	2,052	(52)
First aid	500	166	334
Foam/fire extinguisher	500	494	6
Fuel/oil	13,000	11,340	1,660
Insurance	16,000	16,514	(514)
Janitorial	2,000	2,245	(245)
Miscellaneous - unbudgeted	-	3,000	(3,000)
Miscellaneous equipment	2,000	-	2,000
Office	2,000	1,073	927
Pagers	1,100	1,080	20
Power/gas	19,000	19,277	(277)
Protective clothing	1,500	2,228	(728)
PT tests/physicals	4,800	5,173	(373)
Radio maintenance	1,500	1,110	390

REQUIRED SUPPLEMENTARY INFORMATION

DONALDSON CENTER FIRE SERVICE AREA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (CONTINUED):			
General (Continued):			
SCBA maintenance	4,000	2,788	1,212
Seminars/training	6,000	869	5,131
Subscription/dues	1,500	727	773
Telephone	5,000	4,340	660
Uniforms	2,500	2,929	(429)
Vehicle maintenance	8,000	5,253	2,747
Water/sewer/garbage	2,500	2,032	468
Special Projects	-	10,416	(10,416)
	<u>125,600</u>	<u>120,194</u>	<u>5,406</u>
Total General			
Lockheed expenditures:			
Contingencies	1,000	473	527
Equipment maintenance	200	140	60
FICA	11,246	11,339	(93)
Foam/fire extinguisher	200	-	200
Fuel/oil	200	-	200
Health/life/dental insurance	41,500	39,180	2,320
Insurance	1,000	1,000	-
Miscellaneous equipment	1,000	250	750
Pagers	120	180	(60)
Protective clothing	600	-	600
PT tests/physicals	800	802	(2)
Radio maintenance	200	-	200
Retirement	15,600	14,313	1,287
Salaries	147,000	148,223	(1,223)
Training	7,500	5,149	2,351
Unemployment	15	-	15
Uniforms	700	329	371
Vehicle maintenance	200	32	168
Workers' compensation	6,631	7,402	(771)
	<u>235,712</u>	<u>228,812</u>	<u>6,900</u>
Total Lockheed			
CAPITAL OUTLAY	-	45,004	(45,004)
TOTAL EXPENDITURES	<u>1,705,319</u>	<u>1,713,492</u>	<u>(8,173)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(169,969)	(169,969)

See notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

DONALDSON CENTER FIRE SERVICE AREA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	<u>-</u>	<u>10,000</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(159,969)</u>	<u>\$ (159,969)</u>
FUND BALANCE, Beginning of year		<u>1,721,190</u>	
FUND BALANCE, End of year		<u>\$ 1,561,221</u>	

REQUIRED SUPPLEMENTARY INFORMATION

DONALDSON CENTER FIRE SERVICE AREA

SCHEDULE OF DONALDSON CENTER FIRE SERVICE AREA'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

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

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Donaldson Center Fire Service Area's Proportion of the Net Pension Liability	0.01105%	0.01105%
Donaldson Center Fire Service Area's Proportionate Share of the Net Pension Liability	\$ 1,902,616	\$ 1,982,155
Donaldson Center Fire Service Area's Covered-Employee Payroll	\$ 1,003,292	\$ 997,779
Donaldson Center Fire Service Area's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.64%	198.66%
Plan Fiduciary Net Position as a Percentage of the Net Pension Liability	59.919%	56.388%

REQUIRED SUPPLEMENTARY INFORMATION

DONALDSON CENTER FIRE SERVICE AREA

SCHEDULE OF DONALDSON CENTER FIRE SERVICE AREA'S CONTRIBUTIONS
SOUTH CAROLINA 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,	
	2015	2014
Contractually Required Contribution	\$ 114,391	\$ 106,349
Contributions in Relation to the Contractually Required Contribution	114,391	106,349
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Donaldson Center Fire Service Area's Covered-Employee Payroll	\$ 1,049,455	\$ 1,003,292
Contributions as a Percentage of Covered-Employee Payroll	10.90%	10.60%

DONALDSON CENTER FIRE SERVICE AREA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 – BUDGET BASIS OF ACCOUNTING

DCFSA prepares and adopts an annual budget for its General Fund to provide for operations. The budget is prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Changes, if any, made during the year are approved by DCFSA's Board of Fire Control. DCFSA's original budget was not amended during the year ended June 30, 2015.

NOTE 2 – EXCESS EXPENDITURES

Expenditures for the year ended June 30, 2015 exceeded appropriations in the Capital Outlay cost category by \$45,004. These excess expenditures were funded by available fund balance.

NOTE 3 – COVERED-EMPLOYEE PAYROLL

At June 30, 2015 and 2014, DCFSA reported liabilities of \$1,902,616 and \$1,982,155, respectively, for its proportionate share of the net pension liability for the SCRS Plan. The net pension liabilities were measured as of June 30, 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, 2013 that was projected forward to the measurement date. For the Schedule of Donaldson Center Fire Service Area's Proportionate Share of the Net Pension Liability – South Carolina Retirement System, the covered-employee payroll amounts of \$1,003,292 and \$997,779 are presented as of the Plan measurement dates of June 30, 2014 and 2013, respectively, because the amounts are compared with Plan information as of these dates.

On the Schedule of Donaldson Center Fire Service Area's Contributions – South Carolina Retirement System, the amounts presented as covered employee payroll of \$1,049,455 and \$1,003,292 are as of DCFSA's years ended June 30, 2015 and 2014, respectively, because the amounts are compared to DCFSA's information as of these dates.