

# LAKE CUNNINGHAM



## FIRE DEPARTMENT

COMMISSIONERS

R. DEAN CANNON  
M. KAY FARMER  
ROBERT W. PAPPAS (BOBBY)

COMMISSIONERS

ROLAND E. PITTMAN  
SHERRI D. WILBANKS  
JASON H. WRIGHT

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TRAVIS G. BALLIEW, FIRE CHIEF

May, 11, 2018

John F. Hansley  
Deputy County Administrator  
Department of General Services  
County of Greenville  
301 University Ridge, Suite 2400  
Greenville, SC 29601

Dear Mr. Hansley:

Lake Cunningham Fire District respectfully requests that the Greenville County Council adopt a resolution increasing the current District millage from 32.3 mills to 36.2. The District would like to increase the staff by three firefighters.

The last request for a millage increase for the Lake Cunningham Fire District, which occurred in 2009, was for 1.8 mills.

Enclosed is a resolution from the Commission approving the millage request, and explanation of the millage adjustment need, last year's financial statement and a five year projection.

Thank you in advance for your assistance in this matter and please advise if any further information is needed.

Sincerely,

Lake Cunningham Fire District  
Board of Fire Control

**A RESOLUTION**

**A RESOLUTION FOR PURPOSES OF APPROVING AN INCREASE TO THE MILLAGE LIMITATION ESTABLISHED FOR THE LAKE CUNNINGHAM FIRE DISTRICT AND TO REQUEST GREENVILLE COUNTY COUNCIL'S APPROVAL OF THE INCREASE OF THE MILLAGE LIMITATION.**

**WHEREAS**, the Lake Cunningham Fire District is a special purpose district, located wholly within the County of Greenville; and

**WHEREAS**, the Lake Cunningham Fire District was created by Act No 1829 of 1972 by the South Carolina General Assembly, which established the Lake Cunningham Board of Fire Control as the governing body for the Lake Cunningham Fire District; and

**WHEREAS**, the Lake Cunningham Board of Fire Control is an elected body authorized pursuant to Act No. 1829 of 1972 to annually levy, for operations and maintenance, ad valorem property tax millage not exceeding fifteen (15) mills; and

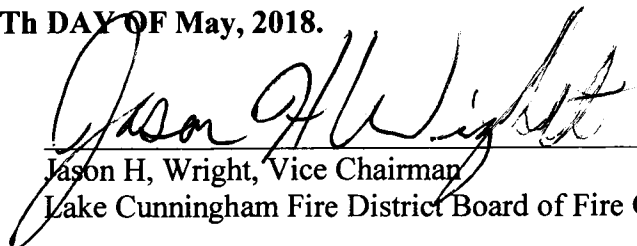
**WHEREAS**, according to the provisions contained in the S.C. Code Ann. 6-11-271 and 6-11-275, as amended, special purpose districts totally located within a county, which were in existence prior to March 7, 1973, and which have the statutory authority to annually levy taxes for operations and maintenance are authorized to modify their respective millage limitations provided the increase is first approved by the governing body of the district and by the governing body of the county in which the district by resolutions duly adopted.

**NOW, THEREFORE, BE IT RESOLVED** that the Lake Cunningham Fire District Board of Fire Control approves the increase of twenty-one point two (21.2) mills in addition to the fifteen (15) mills millage limitation authorized by Act No. 1829 of 1972, for a total millage of thirty-six point two (36.2) mills, which represents three point nine (3.9) mill increase from last year's ad valorem property tax millage levy.

**BE IT FURTHER RESOLVED**, that the Lake Cunningham Fire District Board of Fire Control requests that Greenville County Council approve, by resolution, the modification to the millage limitation authorized by law.

**BE IT FURTHER RESOLVED**, that the millage increase authorized by this Resolution and effectuated pursuant to the provisions of S.C. Code Ann. 6-11-271 and 6-11-275, as amended, is effective only for the tax year 2018-2019.

**DONE IN MEETING THIS 10<sup>Th</sup> DAY OF May, 2018.**

  
\_\_\_\_\_  
Jason H, Wright, Vice Chairman  
Lake Cunningham Fire District Board of Fire Control



**Fire District Millage Request Application  
Contact Information**

District Name Lake Cunningham Fire Department State FDID Number 23314  
Fire Chief's Name Travis Balliew Email: tballiew@lcfcd.us  
Mailing Address\_2802 N McElhaney Rd City, State, Zip Greer SC ,29651  
Contact Person's Name: Travis Balliew Email: tballiew@lcfcd.us  
Address2802 N McElhaney Rd City, State, Greer SC, 29651  
Phone: (864)895-1212 Fax (864)895-9863

**Financial Operations**

***Please Check One of the Following Options:***

- Our district is seeking to maintain our current millage rate  
 Our district is seeking a millage rate increase  
 Our district is seeking bond, lease purchase transaction approval

FD Annual Budget \$2,501,540 Value of One Mill \$70,780  
FD Current Millage Rate 32.3 Value of Total Millage \$2,286,187.34  
Taxes collected last fiscal year (July 1-June 30) \$2,382,662  
Supplemental non-tax income last fiscal year (grants, fundraisers, etc.) \$56,941

**Staffing**

Deployable:  
Number of Paid Firefighters 31 Number of Volunteer Firefighters 10  
Non-Deployable:  
Number of Administrative Staff \_1 Communications \_\_\_\_\_

***For the following financial measurements, please provide a dollar amount.  
(Any additional pertinent information can be detailed in an attached sheet.)***

Debt Service 0  
(include annual amount of any/all payments on stations, apparatus, and equipment)

Operating Expenses \$2,402,700  
(include all normal operating expenses, including operational overhead and salary expenses)

Reserve/Savings \$682,419  
(include any/all reserve and/or savings currently on hand for breakdowns, purchases or replacements)

When did your district last request a millage increase? 2008  
Was your request granted? Yes

If so, please detail your accomplishments with the additional revenue? (You may attach a separate sheet if necessary.)  
Lake Cunningham was able to hire additional personnel and obtain equipment to continue provide the best service possible to the residents in our district and the ones travelling through it.

**Performance Data**

ISO Rating 4/8b	Year Rating Received 2013
Population Served (daytime) 25,600	Population Served (nighttime) 40,800
Number of Households 10,200	Number of Businesses 263
Total Number of Calls Last Year (fiscal year?) 1268	
Number of Structure Fires 111	Number of MVA's 166
Number of Medical Calls 536	Number of Brush Fires 124
Number of Vehicle Fires 10	Number of Public Service Calls 182
Number Mutual Aid Calls Sent 11	Number Mutual Aid Calls Rec'd 16
Number of Hazmat Calls 11	Number of Rescue Calls 8
<i>Number of others 120</i>	

*For the following questions, please circle or highlight "Y" for Yes or "N" for No.  
(Any additional pertinent information may be provided in a separate sheet.)*

- Is your district registered with the State Firefighter Mobilization? Y / N
- Does your district participate in the South Carolina Fire Incident Reporting System? Y / N
- Is your district in compliance with the SC Firefighter Registration Act? Y / N
- Does your district meet requirements of OSHA Standard 1910.30 for Infectious Disease Control? Y / N
- Does your district perform annual SCBA fit testing on all active personnel? Y / N
- Do your district's firefighters meet minimum OSHA training requirements? Y / N
- Does your district perform annual testing on all ground and aerial ladders to meet NFPA standard? Y / N
- Does your district meet all NIMS requirements? Y / N
- Does your district have a fire prevention program? Y / N
- Does your district have a Fire Safety inspection program? Y / N
- Does your district have a pre-fire plan program? Y / N
- Does your district meet minimum hose testing requirements? Y / N
- Does your district meet minimum pump testing requirements? Y / N
- Does your department meet minimum apparatus requirements? Y / N
- Does your district meet minimum equipment on apparatus requirements? Y / N
- Does your district have a preventive maintenance program for your apparatus? Y / N
- Does your district provide physicals to all members? Y / N
- Do all of your members meet the minimum training requirements for their specific job titles? Y / N
- Does your district meet minimum communication requirements? Y / N
- Does your district meet Narrow Band Requirements? Y / N
- Does your district house an EMS vehicle? Y / N

*For the following questions, please provide the more detailed information necessary to understand the complexities for your district. You may attach separate sheets as necessary to fully answer the questions.*

1. Please describe any businesses or structures which require special equipment or represent potentially dangerous calls.

See attached.

2. Please list any mutual aid agreements or operational or resource sharing agreements your district participates in with other fire districts.

Greer Fire Department  
Tyger River Fire Department  
Gowensville Fire Department  
Glassy Mountain Fire Department  
Tigerville Fire Department

North Greenville Fire Department  
Piedmont Park Fire Department  
Taylors Fire Department

Lake Cunningham Fire Department is also part of the statewide and countywide mutual aid agreements.

3. Please describe how, if at all, the requested millage increase will impact your district's ISO ratings.

Lake Cunningham Fire Department will use the additional funds to hire additional personnel and maintain pay and benefits. This will allow us to keep up with the growing call volume that we are experiencing and allow us to maintain or possibly lower our ISO rating.

4. Please describe the tax-exempt properties in your district and the services you provide to these entities  
Lake Cunningham Fire Department provides Fire protection, Medical first response, and fire prevention and education services to 29 churches, 5 schools and several child care facilities.

Please assign a priority rating to your millage increase request from the following options: \_\_\_\_\_ 1 \_\_\_\_\_

**Priority 1:** Without the increase, we cannot continue to provide the level of service that we are giving currently. Our ISO ratings could be affected negatively. The need is dire.

**Priority 2:** Without the increase, we cannot purchase needed equipment to improve the level of service we are currently giving. ISO ratings may or may not be improved. This priority level also allows for needed specialty equipment to be acquired.

**Priority 3:** Without the increase, we can continue to provide excellent service to our district, but the increase will allow us to improve our operation in an exemplary way. ISO ratings may potentially be improved.

Opportunity for Council person(s) statement:

I, \_\_\_\_\_, County Council representative to this fire district, **Support / Do Not Support** this request.

I, \_\_\_\_\_, County Council representative to this fire district, **Support / Do Not Support** this request.

I, \_\_\_\_\_, County Council representative to this fire district, **Support / Do Not Support** this request.

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**Please include with your application the following documents:**

- A formal letter from the Commission stating the intentions to either maintain or increase millage;
- Last year's financial audit;
- A five-year plan (spreadsheet) showing projected revenues as well as operating and capital expenditures;
- Any background information necessary to justify the need of a millage increase; and
- A signed resolution from the governing body approving the operating/capital plan and millage increase.

All applications should be mailed or emailed to:  
Greenville County Finance Committee  
Attn: John Hansley, Deputy County Administrator  
301 University Ridge, Suite 2400  
Greenville, SC 29601

or

[jhansley@greenvillecounty.org](mailto:jhansley@greenvillecounty.org)

# Lake Cunningham



## Commissioners

R. Dean Cannon  
M. Kay Farmer  
Robert W. Pappas (Bobby)

## Commissioners

Roland E. Pittman  
Sherri D. Wilbanks  
Jason H. Wright

## **Fire Department**

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Travis G. Balliew, Fire Chief

The Lake Cunningham Fire District responds to a few businesses and areas within our jurisdiction that presents with special hazards and/or require specialized equipment. They are listed below:

1. CPW Water Treatment Facility
  - a. They store hazardous chemicals on site which would require specialized equipment to respond to leaks and fires. These chemicals are also dangerous if they were to come in direct contact with skin or be inhaled.
2. Lake Robinson and Lake Cunningham and their accompanying dams
  - a. Both these lakes are very popular destinations for fishing and general visits year round. Having to respond to any type of emergency on the water requires LCFD to have a rescue boat and some of the specialized rescue equipment needed to mitigate hazards.
3. Three airfields
  - a. Having aircraft fly in and out of our area presents a unique challenge for emergency preparedness. Under normal circumstances this poses no unique dangers however, under emergency conditions (fires or crashes) this could require specialized equipment to mitigate hazards.
4. Cell phone towers
  - a. The district currently has four cell phone towers but that number could increase with growth. The hazard associated with towers is reaching workers who may have a medical emergency or needs rescuing. Most of these towers are well outside the working heights of most ladder trucks or are in remote areas where these trucks will not fit. Responding to these incidents takes special equipment and training.





Books/Aids	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
<b>Total Training</b>	\$ 13,000.00	\$ 13,000.00	\$ 13,000.00	\$ 13,000.00	\$ 13,000.00	\$ 13,000.00
<b>Fire Equipment</b>						
SCBA Repair	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Fire Hose	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Portable Equipt.	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
Fire Extinguishers	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00
Protective Clothing	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
Misc. Equipt.	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Fire Hydrants	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Medical Supplies	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
<b>Total Fire Equipt.</b>	\$ 58,300.00	\$ 58,300.00	\$ 58,300.00	\$ 58,300.00	\$ 58,300.00	\$ 58,300.00
<b>Vehicle Maintenance</b>						
Fuel	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Vehicle Maintenance	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Tools	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
Ladder & Aerial Test	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
<b>Total Vehicle Maintenance</b>	\$ 53,800.00	\$ 53,800.00	\$ 53,800.00	\$ 53,800.00	\$ 53,800.00	\$ 53,800.00
<b>Comm. Equipt.</b>						
Audio Visual	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Radio Repairs	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
<b>Total Comm. Equipt.</b>	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
<b>Account Title</b>						
<b>Misc. Expense</b>						
Misc. Expense	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Fire Prevention	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
FF Entertainment	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
<b>Total Misc. Expense</b>	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00

<b>Insurance</b>						
<b>Total Insurance</b>	\$ 25,000.00	26,250.00	27,562.50	28,940.63	30,387.66	31,907.04
<b>Dues &amp; Publications</b>						
Misc. Dues	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Fire Chiefs Assoc.	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
Building Code Council	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00
SPD Assoc.	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
<b>Total Dues &amp; Pub.</b>	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00
<b>Uniforms</b>						
Uniforms	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
<b>Account Title</b>						
<b>Capital Budget</b>						
Truck						
Capital replacement						
Hydrants						
<b>Total Capital</b>						
<b>Total Budget Request</b>	\$ 2,715,435.00	2,888,985.80	\$ 3,018,094.98	\$ 3,155,636.10	\$ 3,302,286.50	\$ 3,443,383.64
<b>Income</b>						
Property Taxes	\$ 2,451,540.00	2,521,540.00	2,591,540.00	2,661,540.00	2,731,540.00	2,801,540.00
Greer Contract	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
Interest	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Contributions/Other						
<b>Total Income</b>	\$ 2,501,540.00	2,571,540.00	2,641,540.00	2,711,540.00	2,781,540.00	2,851,540.00

\$ (213,895.00) (317,445.80) (376,554.98) (444,096.10) (520,746.50) (591,843.64)

**LAKE CUNNINGHAM FIRE DEPARTMENT**

**Greer, South Carolina**

**Report on Financial Statements**

**For the Year Ended June 30, 2017**

**Edwards & Hedrick, P.A.**  
***Certified Public Accountants***  
**1109 West Poinsett Street, Suite C**  
**Greer, South Carolina 29650**

**LAKE CUNNINGHAM FIRE DEPARTMENT  
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**LAKE CUNNINGHAM FIRE DEPARTMENT**

Greer, South Carolina

A Special Purpose District

created by the

South Carolina Legislature

1972

COMMISSIONERS

**Kay Farmer**

**Sherri Wilbanks**

**Dean Cannon**

**Bobby Pappas**

**Jason Wright**

**Roland Pittman**

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Lake Cunningham Fire Department  
Greer, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Cunningham Fire Department (the "Department") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department'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 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 Governmental Auditing Standards, issued by the Comptroller General of 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Cunningham Fire Department as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension liability and contribution schedules, 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lake Cunningham Fire Department's basic financial statements taken as a whole. The introductory section, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the Lake Cunningham Fire Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

September 25, 2017

*Edwards & Hedrick, CPAs, P.A.*  
Edwards & Hedrick, CPAs, P.A.  
Greer, South Carolina



**LAKE CUNNINGHAM FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

This discussion and analysis of Lake Cunningham Fire Department (the "Department") financial performance provides an overview of the Department's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to present the Department's financial performance as a whole; readers should also review the basic financial statements, the notes to the basic financial statements, and the supplementary information to enhance their understanding of the Department's financial performance.

**FINANCIAL HIGHLIGHTS**

On the government-wide basic financial statements, the Department's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the current year by approximately \$1,742,300 (net position). Of this amount, approximately \$432,300 is unrestricted and may be used to meet the Department's ongoing obligations to citizens and creditors.

On the government-wide basic financial statements, the total net position of the Department decreased by approximately \$6,200.

As of the close of the current year, the Department's governmental funds (which consisted solely of the General Fund) reported ending fund balances of approximately \$2,333,200, a decrease of approximately \$31,300 from the prior year ending fund balance.

The Department's total net capital assets decreased by approximately \$127,300 (8.9%) during the current year. The primary reason for the decrease is \$174,600 of depreciation expense offset by \$47,350 of capital asset additions.

During the 2016-17 fiscal year, the Department paid off the outstanding capital lease of approximately \$217,800 related to a prior year's vehicle purchase.

For the year ended June 30, 2017, the Department's governmental fund revenues were approximately \$2,445,700 compared to approximately \$2,350,900 in the prior year. This increase was primarily due to higher tax revenues. The Department's governmental fund expenditures were approximately \$2,477,100 compared to \$2,204,400 in the prior year. This increase was mainly due to an early payoff of a capital lease.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-Wide Financial Statements

The basic financial statements include two kinds of statements that represent different views of the Department. The first two statements are *government-wide financial statements* that provide a broad overview of the Department's overall financial status, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* presents information on all of the Department's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Department's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Department include fire protection services and interest and other charges. The Department does not have any business-type activities.

The government-wide financial statements can be found as listed in the table of contents.

### Fund Financial Statements

The remaining basic financial statements are *fund financial statements* that focus on *individual parts* of the Department, reporting the Department's operations in more detail than the government-wide statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. There are three categories of funds that are typically used by state and local governments: governmental funds, proprietary funds, and fiduciary funds. The Department utilizes only governmental funds in reporting the operations of the Department.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Department maintains only one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. The basic governmental fund financial statements can be found as listed in the table of contents.

### Notes to the Basic Financial Statements

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

### Other Information

The Department adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund. In addition, a detailed final budget to actual comparison schedule has also been provided as other supplementary information for the General Fund. These schedules can be found as listed in the table of contents.

### Major Features of the Department's Basic Government-Wide and Fund Financial Statements

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

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$1,742,300 and \$1,748,400 at the close of the current and prior year, respectively. Table 1 provides a summary of the Department's net position as of June 30:

**Table 1 – Net Position**

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 2,415,757	\$ 2,443,172
Capital Assets, Net	1,309,938	1,437,188
Total Assets	3,725,695	3,880,360
Deferred Outflows of Resources	550,693	341,117
Current Liabilities	81,398	77,886
Long-Term Liabilities	2,326,168	2,229,225
Total Liabilities	2,407,566	2,307,111
Deferred Inflows of Resources	126,569	165,958
Net Investment in Capital Assets	1,309,938	1,219,327
Unrestricted	432,315	529,081
Total Net Position	\$ 1,742,253	\$ 1,748,408

The Department's total assets at June 30, 2017 decreased by approximately \$154,600 from the prior year primarily due to a decrease in capital assets. Total liabilities at June 30, 2017 increased approximately \$100,500 primarily due to an increase in the net pension liability offset by the early payoff of a capital lease.

The Department's net position decreased by approximately \$6,200 during 2017. Please see the discussion following Table 2 regarding this decrease.

In the case of the Department, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) by approximately \$1,742,300 at the end of the year. The largest portion of the Department's net position (75% or \$1,309,900) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, etc.) less any related outstanding debt/capital leases used to acquire those assets. The Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt/capital leases, it should be noted that the resources needed to repay any outstanding debt/capital leases must be provided from other sources, since the capital assets themselves (generally) cannot be used to liquidate these liabilities.

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS (Continued)

The remaining balance is unrestricted net position of approximately \$432,300 which may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for the years ended June 30:

**Table 2 – Change in Net Position**

	Governmental Activities	
	2017	2016
<b>Revenues</b>		
General Revenue		
Property Taxes	\$ 2,382,662	\$ 2,304,040
Fire Contract	40,543	40,038
Other	16,398	9,194
Total Revenues	<u>2,439,603</u>	<u>2,353,272</u>
<b>Program Expenses</b>		
Fire Department	2,441,556	2,267,564
Interest and Other Charges	4,202	6,510
Total Program Expenses	<u>2,445,758</u>	<u>2,274,074</u>
Change in Net Position	(6,155)	79,198
Net Position, Beginning of Year	<u>1,748,408</u>	<u>1,669,210</u>
Net Position, End of Year	\$ <u>1,742,253</u>	\$ <u>1,748,408</u>

The Department's government-wide net position (Table 2) decreased by approximately \$6,200 in 2017 compared to an increase of approximately \$79,200 in the prior year. Factors that impacted the change in net assets were as follows:

- Higher tax revenue of approximately \$78,600
- Higher department costs of approximately \$174,000

## FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Government Funds

The analysis of governmental funds serves the purpose of determining available fund resources, how they were spent, and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

## FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS (Continued)

For the year ended June 30, 2017, the Department had only one governmental fund, the General Fund. The General Fund, a major fund, reported fund balance of approximately \$2,333,200 for 2017. The Department's expenditures exceeded revenues resulting in a decrease in fund balance for 2017 of approximately \$31,300. At June 30, 2017, the Department has assigned \$668,989 for future Capital projects. The unassigned fund balance totaled \$1,614,900 at June 30, 2017.

### General Fund Budgetary Highlights

The Department's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only budgeted fund of the Department is the General fund. The Department's Board of Commissioners approved all expenditures in excess of the original budget, and the budget was amended in 2017 to reflect the early payoff of a capital lease. Revenues exceeded budget amounts by approximately \$129,100, with the largest variance being property tax revenues. Expenditures were under budget by \$20,600, resulting in a positive budget variance of approximately \$149,700.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, the Department had approximately \$1,309,900 invested in capital assets, net of depreciation. Table 3 shows June 30, 2017 and 2016 capital asset balances.

**Table 3 – Capital Assets, Net**

Capital Asset Category	June 30, 2017	June 30, 2016
Governmental Activities:		
Land	\$ 31,260	\$ 31,260
Building and Building Improvements	752,118	752,118
Fire Apparatus	2,129,127	2,129,127
Furniture and Equipment	798,034	750,684
Less: Accumulated Depreciation	<u>(2,400,601)</u>	<u>(2,226,001)</u>
Total Capital Assets, Net	\$ <u>1,309,938</u>	\$ <u>1,437,188</u>

The total decrease in the Department's investment in net capital assets was approximately \$127,300. This decrease was primarily due to \$174,600 of depreciation expense offset by \$47,350 of capital asset additions.

For more detailed information about the Department's capital assets, please see Note 3 of the notes to the basic financial statements.

### Debt Administration

During 2017 and 2016, the Department made principal payments on its capital leases of approximately \$217,861 and \$39,800, respectively. The capital lease outstanding on a prior year's vehicle purchase was paid in full in 2017.

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

**Table 4 – Long-Term Debt/Capital Leases**

<u>Long-Term Debt/Capital Leases</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Governmental Activities:		
2010 Pierce	\$           --	\$       217,861
Total Governmental Activities	\$           --	\$       217,861

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

The Department has other long-term obligations consisting of accrued compensated absences. For more detailed information about all of the Department's long-term obligations, please see Note 3 of the notes to the basic financial statements.

### **ECONOMIC FACTORS**

The Department serves an area near Greer, South Carolina. Greer is one of South Carolina's fastest growing communities. This area has seen rapid growth since the 1990's, but began to slow in 2008 due to the economic downturn. The City of Greer has been annexing property as it continues to grow, and this has led to an overlapping of boundaries between the Department and the City. The City and the Department have entered into a contract to prevent any duplication of services to properties within the overlapping boundaries.

The Department continues to evaluate and balance available revenue against expenditures and service levels to seek operating efficiencies. Management emphasizes sound financial and operational decision-making with a focus on strategic thinking and planning. Key objectives at present include focusing services to promote the Department's core mission and development of a financial plan that fosters sustainability for the future.

### **FISCAL YEAR 2017-18 BUDGET**

Many factors were considered by the Department's administration during the process of developing the 2017-18 budget. The Department's budget was prepared to continue the vision and mission of the Department. No new programs were added to the 2017-18 budget.

### **CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of Lake Cunningham Fire Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lake Cunningham Fire Department, 2802 N. McElhaney Road, Greer, South Carolina 29651-8344.



## **Basic Financial Statements**

**LAKE CUNNINGHAM FIRE DEPARTMENT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>PRIMARY GOVERNMENT</u> <u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,282,132
Due from County Treasurer	43,615
Property Taxes Receivable, Net	40,689
Prepaid Expenses	49,321
Capital Assets:	
Non-Depreciable	31,260
Depreciable, Net	<u>1,278,678</u>
<b>TOTAL ASSETS</b>	<u>3,725,695</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Amounts Related to Pensions	<u>550,693</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>550,693</u>
<b>LIABILITIES</b>	
Accounts Payable	3,232
Accrued Payroll and Related Liabilities	78,166
Non-Current Liabilities:	
Due Within One Year	88,410
Due Within More Than One Year	88,411
Net Pension Liability	<u>2,149,347</u>
<b>TOTAL LIABILITIES</b>	<u>2,407,566</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Amounts Related to Pensions	<u>126,569</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>126,569</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,309,938
Unrestricted	<u>432,315</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,742,253</u>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
					<u>Governmental Activities</u>	<u>Totals</u>
<b>PRIMARY GOVERNMENT:</b>						
Governmental Activities:						
Fire Department	\$ 2,441,556	\$ 40,543	\$ 190	\$ -	\$ (2,400,823)	\$ (2,400,823)
Interest and Other Charges	4,202	-	-	-	(4,202)	(4,202)
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 2,445,758</b>	<b>\$ 40,543</b>	<b>\$ 190</b>	<b>\$ -</b>	<b>(2,405,025)</b>	<b>(2,405,025)</b>
General Revenues:						
Property Taxes Levied for General Purposes					2,382,662	2,382,662
Unrestricted Investment Earnings					15,957	15,957
Miscellaneous					251	251
Total General Revenues					<u>2,398,870</u>	<u>2,398,870</u>
<b>CHANGE IN NET POSITION</b>					(6,155)	(6,155)
NET POSITION, Beginning of Year					<u>1,748,408</u>	<u>1,748,408</u>
<b>NET POSITION, End of Year</b>					<u>\$ 1,742,253</u>	<u>\$ 1,742,253</u>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,282,132
Due from County Treasurer	43,615
Property Taxes Receivable, Net	40,689
Prepaid Expenses	<u>49,321</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,415,757</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 3,232
Accrued Payroll and Related Liabilities	<u>78,166</u>
<b>TOTAL LIABILITIES</b>	<b><u>81,398</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	<u>1,117</u>
<b>FUND BALANCES</b>	
Nonspendable	49,321
Assigned For:	
Capital Projects	668,989
Unassigned	<u>1,614,932</u>
<b>TOTAL FUND BALANCES</b>	<b><u>2,333,242</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ <u>2,415,757</u></b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 2,333,242</b>
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes receivable which will be collected in the future, but are not available soon enough to pay for the current period's expenditures, are deferred in the governmental funds.	1,117
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets was \$3,710,539 and the accumulated depreciation was \$2,400,601.	1,309,938
Long-term obligations are not due or payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year end consisted of the following:	
Compensated absences	(176,821)
Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,149,347)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	550,693
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>(126,569)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,742,253</u></b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 2,388,793
Fire Contract	40,543
Interest	15,957
Other Revenue	441
<b>TOTAL REVENUES</b>	<b>2,445,734</b>
<b>EXPENDITURES</b>	
Current:	
Fire Department Operations	2,201,116
Capital Outlay	47,350
Debt Service:	
Principal	217,861
Interest and Other Fiscal Changes	10,715
<b>TOTAL EXPENDITURES</b>	<b>2,477,042</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(31,308)</b>
FUND BALANCE, Beginning of Year	2,364,550
<b>FUND BALANCE, End of Year</b>	<b>\$ 2,333,242</b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**TOTAL NET CHANGE IN FUND BALANCES -  
GOVERNMENTAL FUNDS** **\$ (31,308)**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. This is the net amount between the prior and current year. (6,132)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 217,861

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. 6,513

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (2,760)

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 47,350	
Less: Current year depreciation	<u>(174,600)</u>	(127,250)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Department pension contributions	165,485	
Cost of benefits earned net of employee contributions	<u>(228,564)</u>	<u>(63,079)</u>

**TOTAL CHANGE IN NET POSITION -  
GOVERNMENTAL ACTIVITIES** **\$ (6,155)**

The notes to the basic financial statements are an integral part of this statement. See accompanying independent auditors' report.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**LAKE CUNNINGHAM FIRE DEPARTMENT** (the “Department”) was established by General Statute at Large #1829 under South Carolina law. The Department is exempt from Federal and State income taxes and local property taxes. The taxpayers serviced by the Department are located in Greenville County within the geographical boundaries established by General Statute at Large #1829. The Department is a primary government with no component units. The Department is governed by a six-member commission elected by citizens residing within the Department’s boundaries.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity**

The basic financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department’s accounting policies are described below.

The basic financial statements present the Department’s financial information with its component unit. The primary criterion for determining inclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Department both appoints a voting majority of the entity’s governing body, and either 1) the Department is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Department. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Department. In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Department having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Department; and (c) issue bonded debt without approval by the Department.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Department’s basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government’s operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the Department. Based on the criteria above, the Department does not have any discretely presented or blended component units.



**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Basis of Presentation of Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Department (the primary government). For the most part, the effect of interfund activity has been removed from these statements.

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

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

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements (the Department has no proprietary or fiduciary funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Basis of Presentation of Financial Statements  
(Continued)**

within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund financial statements report detailed information about the Department. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

When restricted and other fund balance resources are available for use, it is the Department's practice to use restricted resources first followed by committed, assigned, and unassigned amounts, respectively.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Department utilizes one fund type and has one major fund, which are described below.

**Governmental fund types** are those through which all governmental functions of the Department are financed. The Department's expendable financial resources and related assets and liabilities (except for those accounted for in the proprietary and expendable trust funds – if any) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following is the Department's major fund.

The **General Fund, a major fund**, is the general operating fund of the Department and accounts for all revenues and expenditures of the Department. This is a budgeted fund. The principal revenue source is property taxes. Primary expenditures are for public safety.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity**

**Cash and Investments**

The Department considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments. Investments with a readily determinable fair value are stated at fair value. All other investments are at cost. The Department's current policy does not utilize amortized cost for any applicable investments.

**Deposits and Investments**

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

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

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**Deposits and Investments (Continued)**

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

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.
- The Department has \$674,516 in funds invested with the South Carolina State Treasurer's Office which established the South Carolina Local Government Investment Pool (the Pool) pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs which are under the custody of any county treasurer or any governing body political subdivision of the State may be deposited. The Pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. Investment shares with the State Treasurer Investment Pool are subject to redemption upon demand by the Department. The reported value of the pool is approximately the same fair value of the pool shares.

**Receivables**

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

**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. \$49,321 of prepaid expenses are reflected as nonspendable fund balance.

**Capital Assets**

General capital assets are those assets specifically related to expenditures reported in the Department's governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Department maintains a capitalization threshold of \$5,000 for furniture and equipment, and vehicles. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

All reported capital assets, except land and construction in progress (if any), are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Capital Asset Category</u>	<u>Estimated Useful Life Range</u>
Buildings and Improvements	15-30 years
Fire Equipment	5-17 years
Vehicles and Other Equipment	5-7 years

**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 that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured (i.e. due and payable).

**Compensated Absences**

Department employees are granted vacation and sick leave in varying amounts (as defined). The Department's general leave policy does not allow for sick leave to be carried over from year to year. Upon termination of employment, an employee is reimbursed for any unused vacation time.

None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

**Fund Balance**

In the Fund financial statements, fund balance consists of Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balance are amounts restricted to specific purposes. Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by the Department's Commissioners prior to the end of the reporting period. Assigned fund balance are amounts the Department intends to use for a specific purpose but is neither restricted nor committed. The Department's Commissioners have authority to assign fund balance. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. The Commissioners have assigned \$668,989 for future Capital projects.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position 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 of resources (expense/expenditure) until then. Department contributions to the Plan subsequent to the measurement date and the net difference between expected and actual experience in the pension Plan, and changes in proportion and differences between employer contributions and proportionate share of plan contributions, are included as deferred outflows of resources.

In addition, to liabilities, the statement of net position 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 net difference between expected and actual experience in the pension plan and changes in proportion and differences between employer contributions and proportionate share of plan contributions are included as deferred inflows of resources.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America required the Department's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Data**

Comparative data (i.e. presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statement unduly complex and difficult to read.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Department.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Practices**

Budgets are presented in the required supplementary information section of the financial statements for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes.

Prior to July 1 each year, the Board of Commissioners adopts an annual budget ordinance for the General Fund. The presented budgetary information is as originally adopted or as amended by the Board of Commissioners. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual – contains the original budget and the final budget. The budget was amended in 2017 to reflect the early payoff of a capital lease.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACTIVITIES**

**Deposits and Investments**

**Deposits**

***Custodial Credit Risk for Deposits:*** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Department's deposits might not be recovered. The Department does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2017, none of the Department's bank balances of \$2,289,039 (which had a carrying value of \$2,282,132) were exposed to custodial credit risk, as all deposits in excess of FDIC insurance were collateralized by securities held at the financial institution.

**Investments**

The Department does not typically invest its available funds in security investments and thus has not developed a policy for credit risk, custodial credit risk, concentration of credit risk, or interest rate risk for these types of investments.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**Property Taxes and Other Receivables**

Greenville County in South Carolina is responsible for levying and collecting sufficient property taxes to meet its funding obligation for the Department. This obligation is established each year by the Commissioners of the Department and does not necessarily represent actual taxes levied or collected. Such property taxes are considered both measurable and available for purposes of recognizing revenue and are recognized as a receivable from the respective County at the time they are collected.

Property taxes are levied and billed by the County on real and personal properties on October 1 based on an assessed value of approximately \$65.3 million and a millage rate of 32.3 mills and various fees depending upon the type of property for the General 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 15	-	10% of tax
After March 15	-	15% of tax

Current year real and personal taxes become delinquent on March 16. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

The Department has recorded uncollected, delinquent property taxes at June 30, 2017, of \$40,689 (net of allowance for uncollectibles portion of \$24,990). Delinquent property taxes of \$39,572 have been recognized as revenue at June 30, 2017, because it is expected to be collected within 60 days of the year end. The remaining amount of \$1,117 has been recorded as deferred inflows of resources on the governmental fund statements because they will not be collected within 60 days after year end.

Continued on page 26



**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**Capital Assets**

Capital asset activity for the Department for the year ended June 30, 2017, was as follows:

	<b>Balance June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
Non-depreciable:				
Land	\$ 31,260	\$ --	\$ --	\$ 31,260
Depreciable:				
Buildings and improvements	752,118	--	--	752,118
Fire apparatus	2,129,127	--	--	2,129,127
Furniture and equipment	750,684	47,350	--	798,034
Total	3,663,189	47,350	--	3,710,539
Less accumulated depreciation	(2,226,001)	(174,600)	--	(2,400,601)
Governmental Activities Capital Assets - net	<u>\$ 1,437,188</u>	<u>\$ (127,250)</u>	<u>\$ --</u>	<u>\$ 1,309,938</u>

The Department's only function is the Fire Department, thus depreciation expense of \$174,600 is charged to that function.

**Long-Term Obligations**

The capital leases at June 30, 2017 were comprised of the following:

**Greer State Bank**

On June 18, 2010, the Department entered into a lease/purchase agreement in the amount of \$400,240 for the purpose of financing the purchase of a 2010 Pierce fire truck. This lease was paid in full in April, 2017.

\$           --

The following is a summary of the changes in the Department's long-term obligations for 2017:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital Leases	\$ 217,861	\$ --	\$ (217,861)	\$ --	\$ --
Accrued Compensated Absences	174,061	2,760	--	176,821	88,410
Total Governmental Activities	<u>\$ 391,922</u>	<u>\$ 2,760</u>	<u>\$ (217,861)</u>	<u>\$ 176,821</u>	<u>\$ 88,410</u>

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION**

**Pension Plan**

**General Information About the Pension Plan**

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

**Plan Description**

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

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

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, 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 systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), 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 the 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](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Membership**

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

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

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

**Benefits Provided**

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 for each system is presented below.

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

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Benefits Provided (Continued)**

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

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

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

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, 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.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Contributions (Continued)**

Required employee contribution rates of earnable compensation are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
<b>SCRS</b>		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
<b>PORS</b>		
Employee Class Two	9.24%	8.74%
Employee Class Three	9.24%	8.74%

Required employer contributions of earnable compensation are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
<b>SCRS</b>		
Employer Class Two	11.41%	10.91%
Employer Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	13.84%	13.34%
Employer Class Three	13.84%	13.34%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

Contributions to SCRS and PORS pension plans from the Department were \$7,196 and \$154,694, respectively, for the year ended June 30, 2017.

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

At June 30, 2017, the Department reported a liability of \$2,149,347 for its proportionate share of the net pension liability. Of this amount, \$123,033 pertains to the SCRS and \$2,026,314 pertains to the PORS. The net pension liability was measured as of June 30, 2016, and the total pension liability was determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, rolled-forward from the valuation date to the Plan's fiscal year ended June 30, 2016, using generally accepted actuarial procedures. Actuarial information is based on the certification provided by the SCRS's consulting actuary, Gabriel, Roeder, Smith and Company.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2017, the Department recognized pension expense of \$17,202 and \$208,900 to the SCRS and PORS, respectively. At June 30, 2017, the Department reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	SCRS	PORS	Total	SCRS	PORS	Total
Net difference between expected and actual experience	\$ 15,806	\$ 348,313	\$ 364,119	\$ 4,314	\$ 88,480	\$ 92,794
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	23,146	--	23,146	2,553	31,222	33,775
Department contributions subsequent to the measurement date	7,196	156,232	163,428	--	--	--
	<u>\$ 46,148</u>	<u>\$ 504,545</u>	<u>\$ 550,693</u>	<u>\$ 6,867</u>	<u>\$ 119,702</u>	<u>\$ 126,569</u>

\$163,428 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	SCRS	PORS	Total
2018	\$ 2,385	\$ 53,009	\$ 55,394
2019	2,385	53,009	55,394
2020	2,385	53,009	55,394
2021	2,385	53,009	55,394
2022	2,328	52,425	54,753
Thereafter	20,217	(35,850)	(15,633)
	<u>\$ 32,085</u>	<u>\$ 228,611</u>	<u>\$ 260,696</u>

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Actuarial Assumptions and Methods (Continued)**

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS), and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and SFAA, which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the System's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry age--Normal	Entry age--Normal
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	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. Assumptions used in the July 1, 2015 valuations for the SCRS and PORS are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
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 Females (with Blue Collar adjustment) multiplied by 115%

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Actuarial Assumptions and Methods (Continued)**

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, was based upon the 30 year capital markets outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation, and is summarized in the table below. For actuarial purposes, the 7.50 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.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%



**LAKE CUNNINGHAM FIRE DEPARTMENT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Department's Proportionate Share Of the Net Pension Liability	1.0% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 153,480	\$ 123,033	\$ 97,687
PORS	<u>2,655,657</u>	<u>2,026,314</u>	<u>1,460,730</u>
Total	\$ <u>2,809,137</u>	\$ <u>2,149,347</u>	\$ <u>1,558,417</u>

**Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

**Payables to the Pension Plan**

At June 30, 2017, the Department's outstanding payable of \$20,583 was allocated as follows:

SCRS	\$ 680
PORS	<u>19,903</u>
Total	\$ <u>20,583</u>

**LAKE CUNNINGHAM FIRE DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Risk Management**

The Department is exposed to various risks of loss related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Department continues to carry commercial insurance coverage for property and casualty insurance. There has been no reduction in insurance coverage in the past year and there were no settlements exceeding insurance coverage in the past three fiscal years. Accordingly, there is no liability or expense recorded for actual claims, and management does not believe any provisions for unasserted claims is necessary.

In addition, the Department provides a health insurance program for its employees. The Department pays a monthly premium to the insurer for its health coverage (insured plan) with the insurer being responsible for claims.

**Expenditures in Excess of Appropriations**

The Board (governing body) approved all expenditures in excess of the original budget. The budget was amended in 2017 to reflect the early payoff of a capital lease.

**NOTE 5 - SUBSEQUENT EVENTS**

**Date of Management Evaluation**

Management has evaluated subsequent events through September 25, 2017, the date on which the financial statements were available to be issued.

## **Required Supplementary Information**

**LAKE CUNNINGHAM FIRE DEPARTMENT  
REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGETS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>BUDGET AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Property Taxes	\$ 2,266,670	\$ 2,266,670	\$ 2,388,793	\$ 122,123
Fire Contract	40,000	40,000	40,543	543
Interest Income	10,000	10,000	15,957	5,957
Other Revenue	-	-	441	441
<b>TOTAL REVENUES</b>	<b>2,316,670</b>	<b>2,316,670</b>	<b>2,445,734</b>	<b>129,064</b>
<b>EXPENDITURES</b>				
Current:				
Fire Department Operations	2,233,000	2,233,000	2,201,116	31,884
Capital Outlay	36,100	36,100	47,350	(11,250)
Debt Service:				
Principal	47,570	228,577	217,861	10,716
Interest and Other Fiscal Charges	-	-	10,715	(10,715)
<b>TOTAL EXPENDITURES</b>	<b>2,316,670</b>	<b>2,497,677</b>	<b>2,477,042</b>	<b>20,635</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(181,007)</b>	<b>(31,308)</b>	<b>149,699</b>
FUND BALANCE, Beginning of Year	2,364,550	2,364,550	2,364,550	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 2,364,550</b>	<b>\$ 2,183,543</b>	<b>\$ 2,333,242</b>	<b>\$ 149,699</b>

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**LAKE CUNNINGHAM FIRE DEPARTMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION - GOVERNMENT WIDE**  
**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b><u>South Carolina Retirement System</u></b>										
Department's proportion of the net pension liability	0.0006%	0.0004%	0.0004%	0.0004%	N/A	N/A	N/A	N/A	N/A	N/A
Department's proportionate share of the net pension liability	\$ 123,033	\$ 77,948	\$ 75,409	\$ 78,562						
Department's covered-employee payroll	\$ 50,286	\$ 38,530	\$ 39,767	\$ 54,299						
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.67%	202.30%	189.63%	144.68%						
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.92%	56.39%						
<b><u>South Carolina Police Officers Retirement System</u></b>										
Department's proportion of the net pension liability	0.07989%	0.0807%	0.0821%	0.0821%	N/A	N/A	N/A	N/A	N/A	N/A
Department's proportionate share of the net pension liability	\$ 2,026,314	\$ 1,759,355	\$ 1,572,415	\$ 1,702,636						
Department's covered-employee payroll	\$ 1,019,855	\$ 1,012,267	\$ 987,870	\$ 877,442						
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.69%	173.80%	159.17%	194.05%						
Plan fiduciary net position as a percentage of the total pension liability	60.44%	64.57%	67.55%	62.98%						

\* The amounts represented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**LAKE CUNNINGHAM FIRE DEPARTMENT  
REQUIRED SUPPLEMENTARY INFORMATION - GOVERNMENT WIDE  
SCHEDULE OF DEPARTMENT CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b><u>South Carolina Retirement System</u></b>										
Contractually required contributions	\$ 7,196	\$ 5,562	\$ 4,200	\$ 4,215	\$ 5,756	\$ 4,925	\$ 4,301	\$ 3,598	\$ 3,553	N/A
Contributions in relation to the contractually required contributions	<u>7,196</u>	<u>5,562</u>	<u>4,200</u>	<u>4,215</u>	<u>5,756</u>	<u>4,925</u>	<u>4,301</u>	<u>3,598</u>	<u>3,553</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Department's covered-employee payroll	\$ 62,245	\$ 50,286	\$ 38,530	\$ 39,767	\$ 54,299	\$ 51,649	\$ 45,809	\$ 38,322	\$ 37,834	
Contributions as a percentage of covered-employee payroll	11.56%	11.06%	10.90%	10.60%	10.60%	9.54%	9.39%	9.39%	9.39%	
<b><u>South Carolina Police Officers Retirement System</u></b>										
Contractually required contributions	\$ 154,694	\$ 140,944	\$ 135,745	\$ 126,843	\$ 107,925	\$ 104,827	\$ 110,734	\$ 95,098	\$ 92,765	N/A
Contributions in relation to the contractually required contributions	<u>154,694</u>	<u>140,944</u>	<u>135,745</u>	<u>126,843</u>	<u>107,925</u>	<u>104,827</u>	<u>110,734</u>	<u>95,098</u>	<u>92,765</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Department's covered-employee payroll	\$ 1,086,335	\$ 1,019,855	\$ 1,012,267	\$ 987,870	\$ 877,442	\$ 891,155	\$ 960,403	\$ 860,615	\$ 839,501	
Contributions as a percentage of covered-employee payroll	14.24%	13.82%	13.41%	12.84%	12.30%	11.76%	11.53%	11.05%	11.05%	

## **Other Supplementary Information**

**LAKE CUNNINGHAM FIRE DEPARTMENT**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**FINAL BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
Property Taxes	\$ 2,266,670	\$ 2,388,793	\$ 122,123
Fire Contract	40,000	40,543	543
Interest Income	10,000	15,957	5,957
Other Income	-	441	441
<b>TOTAL REVENUES</b>	<u>2,316,670</u>	<u>2,445,734</u>	<u>129,064</u>
<b>EXPENDITURES</b>			
Current:			
Personnel	1,970,400	1,988,931	(18,531)
Buildings & Grounds	55,000	42,176	12,824
Supplies & Services	49,000	43,078	5,922
Training Expense	13,000	5,980	7,020
Fire Supplies	48,100	48,461	(361)
Vehicle Expense	53,600	41,304	12,296
Communications	3,000	-	3,000
Miscellaneous	6,000	4,108	1,892
Insurance	20,000	18,836	1,164
Dues & Publications	2,900	2,594	306
Uniforms	12,000	5,648	6,352
<b>Total Current Expenditures</b>	<u>2,233,000</u>	<u>2,201,116</u>	<u>31,884</u>
Capital Outlay	36,100	47,350	(11,250)
Debt Service:			
Principal	228,577	217,861	10,716
Interest and Other Fiscal Charges	-	10,715	(10,715)
<b>TOTAL EXPENDITURES</b>	<u>2,497,677</u>	<u>2,477,042</u>	<u>20,635</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (181,007)</u>	<u>\$ (31,308)</u>	<u>\$ 149,699</u>



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

Board of Commissioners  
Lake Cunningham Fire Department  
Greer, 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, each major fund, and the aggregate remaining fund information of Lake Cunningham Fire Department (“the Department”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements and have issued our report thereon dated September 25, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of the 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.

September 25, 2017

*Edwards & Hedrick, CPAs, P.A.*

Edwards & Hedrick, CPAs, P.A.  
Greer, South Carolina