

**GLASSY MOUNTAIN FIRE SERVICE AREA**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

GLASSY MOUNTAIN FIRE SERVICE AREA

AUDITED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020

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## Independent Auditor's Report

Board of Commissioners  
Glassy Mountain Fire Service Area  
Landrum, South Carolina

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Glassy Mountain Fire Service Area (the "Service Area"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Service Area'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



Board of Commissioners  
Glassy Mountain Fire Service Area  
June 24, 2021

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glassy Mountain Fire Service Area, as of December 31, 2020, 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 and schedules of pension liability and contributions 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.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
June 24, 2021

## Management's Discussion and Analysis

As management of the Glassy Mountain Fire Service Area (the "Service Area"), we offer readers of the Service Area's financial statements this narrative overview and analysis of the financial activities of the Service Area for the year ended December 31, 2020.

### Financial Highlights

- The assets of the Service Area exceeded its liabilities at the close of the most recent fiscal year by \$390,921 (*net position*). Of this amount, \$197,499 (*unrestricted net position*) may be used to meet the government's ongoing obligations to local governments it serves and creditors.
- As of the close of the current fiscal year, the Service Area's governmental funds reported combined ending fund balances of \$1,283,990.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,202,164, or 76 percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Service Area's basic financial statements. The Service Area's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Service Area's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Service Area's assets and liabilities, 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 Service Area is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

The government-wide financial statements include not only the Service Area itself, but also a legally separate foundation for which the Service Area is financially accountable.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Service Area, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Service Area are governmental funds.

Governmental funds - *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 *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 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 this comparison between *governmental funds* and *governmental activities*.

The Service Area adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the 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.

### **Government-wide 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 Service Area, assets exceeded liabilities by \$390,921 at the close of the most recent fiscal year. The government's net position decreased by \$45,327 during the current fiscal year.

Of the Service Area's net position, \$111,596 reflects its net investment of capital assets. The Service Area uses capital assets to provide services to the surrounding community; consequently, these assets are *not* available for future spending. An additional portion \$81,826 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$197,499 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below compares the Service Area's net position at December 31, 2020 and 2019:

### Glassy Mountain Fire Service Area's Net Position

	2020	2019
Current and other assets	\$ 1,294,846	\$ 1,383,733
Capital assets	1,385,555	1,536,868
Total assets	2,680,401	2,920,601
Deferred outflows of resources	232,466	174,769
Long-term debt	2,473,181	2,604,433
Other liabilities	10,856	12,967
Total liabilities	2,484,037	2,617,400
Deferred inflows of resources	37,909	41,722
Investment in capital assets, net of related debt	111,596	34,652
Restricted	81,826	105,428
Unrestricted	197,499	296,168
Total net position	\$ 390,921	\$ 436,248

The table below compares the Service Area's changes in net position for 2020 and 2019:

### Changes in Glassy Mountain Fire Service Area's Net Position

	2020	2019	Percentage Change 2019-2020
<b>Revenues</b>			
Program revenues			
Grants and contributions	\$ 66,243	\$ 85,670	-22.68%
General revenues			
Property taxes	1,195,239	1,314,620	-9.08%
Other	235,402	79,529	195.99%
<b>Total revenues</b>	1,496,884	1,479,819	1.15%
<b>Expenses</b>			
General government	1,542,211	1,441,937	6.95%
<b>Total expenses</b>	1,542,211	1,441,937	6.95%
<b>Increase (decrease) in net position</b>	\$ (45,327)	\$ 37,882	

### Financial Analysis of the Government's Funds

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

Governmental funds - The focus of the Service Area's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the

Service Area's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Service Area. At the end of the current fiscal year, the combined fund balances totaled \$1,283,990. Approximately 6 percent \$81,826 is not available for new spending because it has already been restricted to pay debt service. The remainder \$1,202,164 is unassigned.

The fund balance of the Service Area's general fund decreased by \$86,776 during the current fiscal year.

### **General Fund Budgetary Highlights**

The original budget was amended during the year.

### **Capital Asset and Debt Administration**

Capital assets - The Service Area's net investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$111,596 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings, machinery, and equipment. The total increase of \$76,944 in net investment in capital assets is the net of additions of \$75,051, depreciation expense of \$226,364, and payments on related debt of \$228,257.

Additional information on the Service Area's capital assets can be found in the notes of this report.

Long-term debt - The long-term debt of the Service Area consists of general obligation bonds. The details of long-term debt can be found in Note 5.

### **Economic Factors and Next Year's Budgets and Rates**

Inflationary trends in the region compare favorably to national indices. This factor, among others, was considered in preparing the Service Area's budget for the 2021 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Service Area's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Glassy Mountain Fire Service Area, 2015 Highway 11, Landrum, South Carolina 29356.



GLASSY MOUNTAIN FIRE SERVICE AREA

STATEMENT OF NET POSITION  
DECEMBER 31, 2020

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 737,621
Prepaid expenses	4,703
Accounts receivable	470,696
Restricted assets	
Cash and cash equivalents	81,826
Capital assets, net of accumulated depreciation	
Buildings	920,801
Building improvements	8,331
Vehicles	342,246
Equipment	114,177
<b>Total assets</b>	<u>2,680,401</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension charges	232,466
<b>Total deferred outflows of resources</b>	<u>232,466</u>
<b>LIABILITIES</b>	
Accrued expenses	10,856
Long-term liabilities	
Due within one year	
Bonds and related premium	192,132
Accrued interest	7,644
Due in more than one year	
Bonds and related premium	1,074,183
Net pension liability	1,199,222
<b>Total liabilities</b>	<u>2,484,037</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension credits	37,909
<b>Total deferred inflows of resources</b>	<u>37,909</u>
<b>NET POSITION</b>	
Net investment in capital assets	111,596
Restricted for	
Debt service	81,826
Unrestricted	197,499
<b>Total net position</b>	<u>\$ 390,921</u>

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

GLASSY MOUNTAIN FIRE SERVICE AREA

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government</b>				
Governmental activities				
General Government	\$ 1,542,211	\$ 1,723	\$ 64,520	\$ (1,475,968)
<b>Total primary government</b>	<u>\$ 1,542,211</u>	<u>\$ 1,723</u>	<u>\$ 64,520</u>	<u>(1,475,968)</u>
General revenues				
Property tax revenue				1,195,239
Interest income				13,325
Merchants inventory				7,198
Other revenue				94,771
Sale of assets				120,108
Total general revenues				<u>1,430,641</u>
Change in net position				(45,327)
Net position, beginning				436,248
Net position, ending				<u>\$ 390,921</u>

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

**GLASSY MOUNTAIN FIRE SERVICE AREA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 737,621
Accounts receivable	470,696
Cash and cash equivalents, restricted	81,826
Prepays	4,703
<b>Total assets</b>	<b>\$ 1,294,846</b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accrued expenditures	\$ 10,856
<b>Total liabilities</b>	<b>10,856</b>
 <b>Fund Balance</b>	
Restricted	81,826
Unassigned	1,202,164
<b>Total fund balance</b>	<b>1,283,990</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,294,846</b>
Total fund balance	\$ 1,283,990
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,385,555
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(1,245,000)
Bond premiums incurred in governmental activities are recognized as other financing sources in the year they occur.	(21,315)
Accrued interest on bonds in governmental accounting was not a payable in the current period and, therefore, has not been reported as a liability in the funds.	(7,644)
The Service Area's proportionate share of the net pension liability related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(1,199,222)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources	232,466
Deferred inflows of resources	(37,909)
<b>Net position of governmental activities</b>	<b>\$ 390,921</b>

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

**GLASSY MOUNTAIN FIRE SERVICE AREA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2020**

	<b>General</b>
<b>REVENUES</b>	
Bond millage revenue	\$ 221,544
Property tax revenue	973,695
Interest income	13,325
Charges for services	1,723
Merchants inventory	7,198
Foundation	64,520
Other revenue	94,771
<b>Total revenues</b>	<b>1,376,776</b>
<b>EXPENDITURES</b>	
Current	
Wages	578,419
Benefits	233,513
Volunteer programs	21,793
Employee expenditures	47,514
Business insurance	31,819
Equipment expenditures	146,608
Utilities	44,799
Office	38,550
Building and grounds	18,358
Foundation	89,411
Capital outlay	75,051
Debt service	257,825
<b>Total expenditures</b>	<b>1,583,660</b>
Excess of revenues (under) expenditures	(206,884)
<b>OTHER FINANCING SOURCES</b>	
Sale of assets	120,108
<b>Total other financing sources</b>	<b>120,108</b>
Net Change in Fund Balances	(86,776)
<b>FUND BALANCE</b> , beginning of year	1,370,766
<b>FUND BALANCE</b> , end of year	<b>\$ 1,283,990</b>

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

**GLASSY MOUNTAIN FIRE SERVICE AREA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(86,776)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
		(151,313)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		227,132
<p>Interest on long-term debt 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 this 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.</p>		
		1,125
<p>Changes in the Service Area's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.</p>		
		<u>(35,495)</u>
Change in net position of governmental activities	\$	<u><u>(45,327)</u></u>

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

**GLASSY MOUNTAIN FIRE SERVICE AREA**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Bond millage revenue	\$ -	\$ 234,223	\$ 221,544	\$ (12,679)
Property tax revenue	992,000	992,000	973,695	(18,305)
Interest income	15,120	15,120	13,325	(1,795)
Charges for services	1,000	1,000	1,723	723
Merchants inventory	6,000	6,000	7,198	1,198
Foundation	37,060	37,060	64,520	27,460
Other income	500	500	94,771	94,271
<b>Total revenues</b>	<u>1,051,680</u>	<u>1,285,903</u>	<u>1,376,776</u>	<u>90,873</u>
<b>EXPENDITURES</b>				
Current				
Wages	579,675	579,675	578,419	1,256
Benefits	217,000	217,000	233,513	(16,513)
Volunteer programs	-	-	21,793	(21,793)
Employee expense	23,895	23,895	47,514	(23,619)
Business insurance	59,500	59,500	31,819	27,681
Equipment expenditures	86,950	86,950	146,608	(59,658)
Utilities	49,100	49,100	44,799	4,301
Office expense	40,000	40,000	38,550	1,450
Building and grounds	24,000	24,000	18,358	5,642
Foundation	37,060	37,060	89,411	(52,351)
Capital outlay	-	-	75,051	(75,051)
Debt service	-	257,825	257,825	-
<b>Total expenditures</b>	<u>1,117,180</u>	<u>1,375,005</u>	<u>1,583,660</u>	<u>(208,655)</u>
Excess of revenues (under) expenditures	<u>(65,500)</u>	<u>(89,102)</u>	<u>(206,884)</u>	<u>(117,782)</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of assets	1,000	1,000	120,108	119,108
<b>Total other financing sources</b>	<u>1,000</u>	<u>1,000</u>	<u>120,108</u>	<u>119,108</u>
Net change in fund balances	(64,500)	(88,102)	(86,776)	1,326
<b>FUND BALANCE, beginning of year</b>	<u>1,370,766</u>	<u>1,370,766</u>	<u>1,370,766</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 1,306,266</u>	<u>\$ 1,282,664</u>	<u>\$ 1,283,990</u>	<u>\$ 1,326</u>

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

# GLASSY MOUNTAIN FIRE SERVICE AREA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

Glassy Mountain Fire Service Area (the "Service Area") was established in January 1988. The Service Area is a governmental entity committed to providing excellence in the delivery of emergent and non-emergent assistance to the citizens residing in the Service Area's district. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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. Other items not properly included among program revenues are reported instead as *general revenues*.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the Service Area's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Assets, Liabilities, and Net Position

### *Cash and Cash Equivalents*

The Service Area's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### *Receivables*

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Management does not establish an allowance for uncollectible taxes receivable based upon historical trends of collectability.

### *Capital Assets*

Capital assets, which include buildings, building improvements, vehicles, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Service Area maintains a capitalization policy of \$5,000 for its capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25
Building improvements	15
Vehicles	5 - 15
Equipment	5

### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

*Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position* – consists of net position balances with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.

*Unrestricted net position* – All other net position balances that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted.

### *Fund Equity*

The Service Area classifies fund balance of its governmental funds in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.



The Service Area classifies governmental fund balances as follows:

*Nonspendable* – includes amounts that inherently cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes amounts that are constrained by specific purposes, which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

*Committed* – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Commission, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed; in addition, such assignments are made by the Commission.

*Unassigned* – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

Below are the fund balance classifications for the governmental fund at December 31, 2020:

Fund Balances	<u>General Fund</u>
<b>Restricted</b>	
Debt service	\$ 81,826
<b>Unassigned</b>	<u>1,202,164</u>
Total	<u><u>\$ 1,283,990</u></u>

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The total adjustments consist of the following:

One element of that reconciliation states that "Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets in governmental activities column)." The details of this

\$1,385,555 difference are as follows:	\$ 4,339,294
Less: accumulated depreciation	(2,953,739)
Net capital assets	<u>1,385,555</u>

Another element of that reconciliation states that "Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds."

Net pension liability	<u>(1,199,222)</u>
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Another element of that reconciliation states that "Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds." The details of this \$194,557 are as follows:

Deferred outflows of resources related to pensions	232,466
Deferred inflows of resources related to pensions	(37,909)
	<u>194,557</u>

Another element of that reconciliation states that "Liabilities, because they are not due and payable in the current period, do not require current resources to pay and are, therefore, not recorded in the fund statements." The details of this (\$1,273,959) difference are as follows:

Bonds and notes payable and related premium	(1,266,315)
Accrued Interest	(7,644)
	<u>(1,273,959)</u>

Total adjustments	<u>\$ (893,069)</u>
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**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 75,051
Depreciation expense	(226,364)
	<u>\$ (151,313)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position." The details of this difference are as follows:

Principal repayments, net premium	\$ 227,132
	<u>\$ 227,132</u>

Another element of that reconciliation states that “some revenues and expenses reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.” The details of these differences are as follows:

Accrued interest	<u>\$ 1,125</u>
Changes in the Service Area's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	<u>\$ 35,495</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A single annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal yearend. The budget was not amended during the year.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**Deposits**

The State of South Carolina General Statutes permit the Service Area to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

Cash is maintained in demand deposits or savings accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Service Area.

As of December 31, 2020, the Service Area had deposits as follows:

Bank of Travelers Rest	\$ 106,428
Greenville County	<u>731,541</u>
	<u>\$ 837,969</u>

*Interest rate risk* - The Service Area manages its exposure to declines in fair values by limiting its investments to deposits with short-term maturity dates.

*Concentration of credit risk* - The Service Area’s investment policy currently does not involve investment in any individual issuers.

*Custodial credit risk – deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the Service Area’s deposits may not be returned. The Service Area’s policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution’s trust department or agent in the Service Area’s name. As of December 31, 2020 all deposits are either insured or fully collateralized.

## Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, being depreciated				
Buildings	\$ 2,165,634	\$ -	\$ -	\$ 2,165,634
Building improvements	89,541	-	(5,772)	83,769
Vehicles	1,694,925	21,873	(49,230)	1,667,568
Equipment	838,862	53,178	(469,717)	422,323
Total capital assets, being depreciated	<u>4,788,962</u>	<u>75,051</u>	<u>(524,719)</u>	<u>4,339,294</u>
Less accumulated depreciation for				
Buildings	(1,158,207)	(86,625)	-	(1,244,832)
Building improvements	(77,697)	(3,514)	5,772	(75,439)
Vehicles	(1,277,248)	(97,304)	49,230	(1,325,322)
Equipment	(738,942)	(38,921)	469,717	(308,146)
Total accumulated depreciation	<u>(3,252,094)</u>	<u>(226,364)</u>	<u>524,719</u>	<u>(2,953,739)</u>
Total capital assets, being depreciated, net	<u>1,536,868</u>	<u>(151,313)</u>	<u>-</u>	<u>1,385,555</u>
Governmental activities, capital assets, net	<u>\$ 1,536,868</u>	<u>\$ (151,313)</u>	<u>\$ -</u>	<u>\$ 1,385,555</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	<u>\$ 226,364</u>

## NOTE 5 – LONG-TERM DEBT

### General Obligation Bonds

On September 1, 2015, the Service Area entered into a Series 2015 A General Obligation Refunding and Improvement Bond Payable Agreement for purchase of a new fire truck, and to provide resources to refund the outstanding General Obligation Bonds Series 2005 and General Obligation Bond Series 2009, with interest rates ranging between 2.00% and 3.00%.

Annual debt service requirements to maturity for this General Obligation Refunding and Improvement Bond are as follows:

Year ending December 31,	Governmental Activities	
	Principal	Interest
2021	\$ 190,000	\$ 28,675
2022	220,000	24,575
2023	230,000	19,500
2024	240,000	13,625
2025	65,000	9,813
2026-2030	300,000	22,499
Total	<u>\$ 1,245,000</u>	<u>\$ 118,687</u>

### Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable					
General obligation bonds	\$ 1,470,000	\$ -	\$ (225,000)	\$ 1,245,000	\$ 190,000
Bond premiums	23,447	-	(2,132)	21,315	2,132
Governmental activity					
Long-term liabilities	<u>\$ 1,493,447</u>	<u>\$ -</u>	<u>\$ (227,132)</u>	<u>\$ 1,266,315</u>	<u>\$ 192,132</u>

### NOTE 6 – EMPLOYEE RETIREMENT SYSTEMS – PENSION FUNDS

The Service Area participates in the State of South Carolina’s retirement plans (“Systems”), which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”).

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the State of South Carolina, including the State Optional Retirement Program and the S. C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, and eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (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.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through 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.

## Plan Descriptions

- 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 teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivision of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

## 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.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee

contribution and a portion of the employer contribution (5 percent) a direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- 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; be a coroner in a full-time permanent position; or be 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 membership prior to July 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

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/current annual salary. A brief summary of the 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 requirements, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the 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 at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants 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 of the preceding year are eligible to receive the increase.

## Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ration of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates for fiscal years 2020 and 2021 are as follows:

### SCRS

Employee Class Two	9.00%
Employee Class Three	9.00%

### State ORP

Employee	9.00%
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### PORS

Employee Class Two	9.75%
Employee Class Three	9.75%

Required employer contribution rates for fiscal years 2020 and 2021 are as follows:

### SCRS

Employer Class Two	15.41%
Employer Class Three	15.41%
Employer Incidental Death Benefit	0.15%

### State ORP

Employer Contribution (2)	15.41%
Employer Incidental Death Benefit	0.15%



**PORS**

Employer Class Two	17.84%
Employer Class Three	17.84%
Employer Incidental Death Benefit	0.20%
Employer Accidental Death Program	0.20%

**Actuarial Assumptions and Methods**

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return <sup>1</sup>	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) <sup>1</sup>	3.5% to 9.5% (varies by service) <sup>1</sup>
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
<sup>1</sup> Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA project from the year 2016.

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

## Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Position Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081	50.7%
PORS	8,046,386,629	4,730,174,642	3,316,211,987	58.8%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

## Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return 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 target asset allocation adopted at the beginning of the 2020 fiscal year. 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 on the following page. For actuarial purposes, the 7.25 percent assume annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactic Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/ Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
			<u>8.05%</u>

## Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the 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 TPL.

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

At December 31, 2020, the Service Area reported a liability of \$1,199,222, 1,097,597 SCRS and 101,625 PORS for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Service Area's proportion of the net pension liability was based on a projection of the Service Area's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended December 31, 2020, the Service Area recognized pension expense totaling \$121,059, which consisted of contributions to the Systems of \$85,564 and additional expense of \$35,495, as a result of the increase in the net pension liability related to GASB 68 requirements. At December 31, 2020, the Service Area reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences between expected and actual experience	\$ 12,665	\$ 4,150
Assumption changes	1,345	-
Net difference between projected and actual investment earnings	80,738	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	26,960	27,754
Service Area contributions subsequent to the measurement date	81,794	-
Total SCRS	203,502	31,904
<b>PORS</b>		
Differences between expected and actual experience	2,160	447
Assumption changes	1,240	-
Net difference between projected and actual investment earnings	10,406	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	11,388	5,558
Service Area contributions subsequent to the measurement date	3,770	-
Total PORS	28,964	6,005
Total SCRS and PORS	\$ 232,466	\$ 37,909

\$81,794 and \$3,770 that were reported as deferred outflows of resources related to the Service Area's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended December 31,	SCRS	PORS	Total
2021	\$ 22,665	\$ 4,595	\$ 27,260
2022	22,665	4,595	27,260
2023	22,665	4,595	27,260
2024	22,304	4,595	26,899
2025	-	810	810
Total	\$ 90,299	\$ 19,190	\$ 109,489

## Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) and 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 1,360,337	\$ 1,097,597	\$ 878,206
PORS	\$ 134,534	\$ 101,625	\$ 75,201

## Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2020, and the accounting and financial reporting actuarial valuation as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

## NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

**GLASSY MOUNTAIN FIRE SERVICE AREA**

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM  
LAST 6 FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SCRS</u>						
Contractually required contribution	\$ 81,794	\$ 69,686	\$ 66,266	\$ 50,531	\$ 48,163	\$ 46,640
Contributions in relation to the contractually required contribution	(81,794)	(69,686)	(66,266)	(50,531)	(48,163)	(46,640)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service Area's covered-employee payroll	\$ 530,786	\$ 467,461	\$ 476,624	\$ 407,188	\$ 431,968	\$ 430,607
Contributions as a percentage of covered-employee payroll	15.41%	14.91%	13.90%	12.41%	11.15%	10.83%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PORS</u>						
Contractually required contribution	\$ 3,770	\$ 8,475	\$ 4,926	\$ 6,271	\$ 5,269	\$ 4,729
Contributions in relation to the contractually required contribution	(3,770)	(8,475)	(4,926)	(6,271)	(5,269)	(4,729)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service Area's covered-employee payroll	\$ 21,134	\$ 48,830	\$ 29,852	\$ 42,225	\$ 38,748	\$ 35,904
Contributions as a percentage of covered-employee payroll	17.84%	17.36%	16.50%	14.85%	13.60%	13.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

GLASSY MOUNTAIN FIRE SERVICE AREA

SCHEDULE OF THE SERVICE AREA'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM  
LAST 6 FISCAL YEARS

	2020	2019	2018	2017	2016	2015
<u>SCRS</u>						
Service Area's proportion of the net pension liability	0.004%	0.004%	0.004%	0.004%	0.005%	0.005%
Service Area's proportionate share of the net pension liability	\$ 1,097,597	\$ 1,016,505	\$ 962,399	\$ 924,327	\$ 977,854	\$ 854,014
Service Area's covered-employee payroll	\$ 467,461	\$ 476,624	\$ 407,188	\$ 431,968	\$ 430,607	\$ 410,610
Service Area's proportionate share of the net pension liability as a percentage of its covered-employee payroll	234.8%	213.3%	236.4%	213.9%	227.1%	207.9%
Plan fiduciary net position as a percentage of the total pension liability	50.7%	54.4%	54.1%	52.9%	57.0%	59.9%
	2020	2019	2018	2017	2016	2015
<u>PORS</u>						
Service Area's proportion of the net pension liability	0.003%	0.003%	0.002%	0.003%	0.003%	0.003%
Service Area's proportionate share of the net pension liability	\$ 101,625	\$ 85,712	\$ 64,512	\$ 83,200	\$ 72,340	\$ 61,636
Service Area's covered-employee payroll	\$ 48,830	\$ 29,852	\$ 42,225	\$ 38,748	\$ 35,904	\$ 19,262
Service Area's proportionate share of the net pension liability as a percentage of its covered-employee payroll	208.1%	287.1%	152.8%	214.7%	201.5%	319.9%
Plan fiduciary net position as a percentage of the total pension liability	58.8%	62.7%	61.7%	60.4%	64.6%	67.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

**GLASSY MOUNTAIN FIRE SERVICE AREA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2020**

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, 2019, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended December 31, 2020 reported in that schedule can be found in Note 6 of the basic financial statements.