

LAKE CUNNINGHAM FIRE DEPARTMENT

Greer, South Carolina

Report on Financial Statements

For the Year Ended June 30, 2021

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**LAKE CUNNINGHAM FIRE DEPARTMENT
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JUNE 30, 2021**

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LAKE CUNNINGHAM FIRE DEPARTMENT

Greer, South Carolina

A Special Purpose District

created by the

South Carolina Legislature

1972

Travis Balliew, Chief

COMMISSIONERS

David Welchel

Sherri Wilbanks Stokes

Dean Cannon

Roland Pittman

Jason Wright

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, and each major fund of Lake Cunningham Fire Department (the "Department") as of and for the year ended June 30, 2021, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lake Cunningham Fire Department as of June 30, 2021, 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 historical pension plan 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 opinions on the financial statements that collectively comprise Lake Cunningham Fire Department's basic financial statements. 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.

November 12, 2021

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, 2021**

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, 2021. 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 \$2,016,700 (net position). Of this amount, approximately \$176,000 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 increased by approximately \$50,200.

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 \$2,587,300, a decrease of approximately \$246,900 from the prior year ending fund balance.

The Department's total net capital assets increased by approximately \$433,500 (30.8%) during the current year. The primary reason for the increase is \$608,600 of capital asset additions offset by \$175,100 of depreciation expense.

For the year ended June 30, 2021, the Department's governmental fund revenues were approximately \$3,165,800 compared to approximately \$2,984,200 in the prior year. This increase was primarily due to higher tax revenues. The Department's governmental fund expenditures were approximately \$3,412,600 compared to \$3,104,200 in the prior year. The increase was primarily due to higher operations costs and increased capital asset additions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplementary Information. The Department's Basic Financial Statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The supplementary information consists of two components: 1) required supplementary information and 2) other supplementary information.

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 \$2,016,700 and \$1,966,500 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	
	2021	2020
Current and Other Assets	\$ 2,737,394	\$ 2,931,163
Capital Assets, Net	1,840,694	1,407,125
Total Assets	4,578,088	4,338,288
Deferred Outflows of Resources	780,682	504,398
Current Liabilities	96,256	89,340
Long-Term Liabilities	3,200,707	2,746,409
Total Liabilities	3,296,963	2,835,749
Deferred Inflows of Resources	45,090	40,463
Net Investment in Capital Assets	1,840,694	1,407,125
Unrestricted	176,023	559,349
Total Net Position	\$ 2,016,717	\$ 1,966,474

The Department's total assets at June 30, 2021 increased by approximately \$239,800 from the prior year primarily due to an increase in capital assets and a decrease in cash. Total liabilities at June 30, 2021 increased approximately \$461,200 primarily due to increases in the net pension liability.

The Department's net position increased by approximately \$50,200 during 2021. 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 \$2,016,700 at the end of the year. The largest portion of the Department's net position (91% or \$1,840,700) 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 \$176,000 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	
	2021	2020
Revenues		
General Revenue		
Property Taxes	\$ 3,149,282	\$ 2,899,637
Fire Contract	43,716	43,184
Investment Earnings	18,066	44,972
Other	901	3,757
Total Revenues	<u>3,211,965</u>	<u>2,991,550</u>
Program Expenses		
Fire Department	3,161,722	3,015,922
Interest and Other Charges	--	--
Total Program Expenses	<u>3,161,722</u>	<u>3,015,922</u>
Change in Net Position	50,243	(24,372)
Net Position, Beginning of Year	<u>1,966,474</u>	<u>1,990,846</u>
Net Position, End of Year	<u>\$ 2,016,717</u>	<u>\$ 1,966,474</u>

The Department's government-wide net position (Table 2) increased by approximately \$50,200 in 2021 compared to a decrease of approximately \$24,400 in the prior year. Factors that impacted the change in net assets were as follows:

- Higher tax revenue of approximately \$249,600
- Higher program expenses of approximately \$145,800

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, 2021, the Department had only one governmental fund, the General Fund. The General Fund, a major fund, reported fund balance of approximately \$2,587,300 for 2021. The Department's expenditures exceeded revenues resulting in a decrease in fund balance for 2021 of approximately \$246,900. At June 30, 2021, the Department has assigned \$163,094 for future Capital projects. The unassigned fund balance totaled \$2,360,157 at June 30, 2021.

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. The budget was amended on January 14, 2021 to reflect the purchase of a new fire truck. Revenues exceeded budget amounts by approximately \$115,700, with the largest variance being property tax revenue and interest income. Expenditures were under budget by \$253,300, resulting in a positive budget variance of approximately \$369,100.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

At June 30, 2021, the Department had approximately \$1,840,700 invested in capital assets, net of depreciation. Table 3 shows June 30, 2021 and 2020 capital asset balances.

Table 3 – Capital Assets, Net

Capital Asset Category	June 30, 2021	June 30, 2020
Governmental Activities:		
Land	\$ 486,550	\$ 484,550
Building and Building Improvements	752,118	752,118
Fire Apparatus	2,617,708	2,016,813
Furniture and Equipment	1,011,173	1,005,422
Less: Accumulated Depreciation	<u>(3,026,855)</u>	<u>(2,851,778)</u>
Total Capital Assets, Net	\$ <u>1,840,694</u>	\$ <u>1,407,125</u>

The total increase in the Department's investment in net capital assets was approximately \$433,500. This increase was primarily due to \$608,600 of capital additions offset by \$175,100 of depreciation expense.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Table 4 – Long-Term Obligations

Long-Term Obligations	June 30, 2021	June 30, 2020
Accrued Compensated Absences	\$ <u>205,905</u>	\$ <u>212,682</u>

The Department's long-term obligations consist 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 2021-22 BUDGET

Many factors were considered by the Department's administration during the process of developing the 2021-22 budget. The Department's budget was prepared to continue the vision and mission of the Department. No new programs were added to the 2021-22 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, 2021**

ASSETS	<u>PRIMARY GOVERNMENT</u> <u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 2,543,495
Due from County Treasurer	70,835
Property Taxes Receivable, Net	58,972
Prepaid Expenses	64,092
Capital Assets:	
Non-Depreciable	486,550
Depreciable, Net	<u>1,354,144</u>
TOTAL ASSETS	<u>4,578,088</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	<u>780,682</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>780,682</u>
 LIABILITIES	
Accounts Payable	347
Accrued Payroll and Related Liabilities	95,909
Non-Current Liabilities:	
Due Within One Year	102,953
Due Within More Than One Year	102,952
Net Pension Liability	<u>2,994,802</u>
TOTAL LIABILITIES	<u>3,296,963</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	<u>45,090</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,090</u>
 NET POSITION	
Net Investment in Capital Assets	1,840,694
Unrestricted	<u>176,023</u>
TOTAL NET POSITION	<u>\$ 2,016,717</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, 2021**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
<u>FUNCTIONS/PROGRAMS</u>	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
PRIMARY GOVERNMENT:					Governmental Activities
					Totals
Governmental Activities:					
Fire Department	\$ 3,161,722	\$ 43,716	\$ 600	\$ -	\$ (3,117,406)
Interest and Other Charges	-	-	-	-	-
TOTAL - PRIMARY GOVERNMENT	\$ 3,161,722	\$ 43,716	\$ 600	\$ -	(3,117,406)
General Revenues:					
Property Taxes Levied for General Purposes					3,149,282
Unrestricted Investment Earnings					18,066
Miscellaneous					301
Total General Revenues					3,167,649
CHANGE IN NET POSITION					50,243
NET POSITION, Beginning of Year					1,966,474
NET POSITION, End of Year					\$ 2,016,717

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, 2021**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,543,495
Due from County Treasurer	70,835
Property Taxes Receivable, Net	58,972
Prepaid Expenses	<u>64,092</u>
TOTAL ASSETS	\$ <u>2,737,394</u>
LIABILITIES	
Accounts Payable	\$ 347
Accrued Payroll and Related Liabilities	<u>95,909</u>
TOTAL LIABILITIES	<u>96,256</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>53,795</u>
FUND BALANCES	
Nonspendable	64,092
Assigned For:	
Capital Projects	163,094
Unassigned	<u>2,360,157</u>
TOTAL FUND BALANCES	<u>2,587,343</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>2,737,394</u>

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, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,587,343
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.	53,795
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 \$4,867,549 and the accumulated depreciation was \$3,026,855.	1,840,694
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	(205,905)
Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,994,802)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	780,682
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(45,090)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>2,016,717</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 REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund
REVENUES	
Taxes	\$ 3,103,082
Fire Contract	43,716
Interest	18,066
Other Revenue	901
TOTAL REVENUES	3,165,765
 EXPENDITURES	
Current:	
Fire Department Operations	2,804,004
Capital Outlay	608,646
TOTAL EXPENDITURES	3,412,650
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(246,885)
FUND BALANCE, Beginning of Year	2,834,228
FUND BALANCE, End of Year	\$ 2,587,343

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, 2021**

**TOTAL NET CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS** \$ (246,885)

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
the net amount between the prior and current year. 46,200

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. 6,777

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	\$ 608,646	
Less: Current year depreciation	<u>(175,077)</u>	433,569

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	270,393	
Cost of benefits earned net of employee and non-employer contributions.	<u>(459,811)</u>	<u>(189,418)</u>

**TOTAL CHANGE IN NET POSITION -
GOVERNMENTAL ACTIVITIES** \$ 50,243

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, 2021**

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.

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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, & Basis of Presentation of Financial Statements (Cont.)
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 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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, & Basis of Presentation of Financial Statements (Cont.)
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.

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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Receivables

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

**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. 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. \$64,092 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.

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).

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Department employees are granted annual leave in varying amounts (as defined). It is the Department's policy to vest annual leave with its employees and recognize compensated absences as expenditures in the period earned rather than the period such benefit is paid.

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 \$163,094 for future Capital projects.

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, changes in proportionate share and differences between employer contributions and proportionate share of plan contributions, the net difference between projected and actual investment earnings and plan assumption changes, 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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

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. All of the Department's deposits are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits exceeding the Federal Deposit Insurance Coverage (FDIC) level are collateralized with securities held by the Department's agents in the Department's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agents in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Department, these deposits are considered held by the Department's agents in the Department's name. As of June 30, 2021, none of the Department's deposits of \$2,595,479 (which had a carrying value of \$2,543,495) were exposed to custodial credit risk, as all deposits in excess of FDIC insurance were collateralized by either the direct method or the pooling method.

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.

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 \$70.3 million and a millage rate of 37.2 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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

Property Taxes and Other Receivables (Continued)

The Department has recorded uncollected, delinquent property taxes at June 30, 2021, of \$58,972 (net of allowance for uncollectibles portion of \$22,213). Delinquent property taxes of \$5,177 have been recognized as revenue at June 30, 2021, because it is expected to be collected within 60 days of the year end. The remaining amount of \$53,795 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.

Capital Assets

Capital asset activity for the Department for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Non-depreciable:				
Land	\$ 484,550	\$ 2,000	\$.	\$ 486,550
Depreciable:				
Buildings and improvements	752,118	--	--	752,118
Fire apparatus	2,016,813	600,895	--	2,617,708
Furniture and equipment	1,005,422	5,751	--	1,011,173
Total	4,258,903	608,646	--	4,867,549
Less accumulated depreciation	(2,851,778)	(175,077)	--	(3,026,855)
Governmental Activities				
Capital Assets - net	<u>\$ 1,407,125</u>	<u>\$ 433,569</u>	<u>\$ --</u>	<u>\$ 1,840,694</u>

The Department's only function is the Fire Department, thus depreciation expense of \$175,077 is charged to that function.

Long-Term Obligations

The Department's long-term obligations consist of compensated absences. The Department records employee absences, such as vacations, illness and deferred overtime, for which it is expected that employees will be paid as compensated absences. As of June 30, 2021, the Department had a compensated absences balance of \$205,905.

**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

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

Long-Term Obligations (Continued)

The following is a summary of the changes in the Department's long-term obligations for 2021:

<u>Long-Term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Accrued Compensated Absences	\$ 212,682	\$ --	\$ (6,777)	\$ 205,905	\$ 102,953
Total Governmental Activities	\$ <u>212,682</u>	\$ <u>--</u>	\$ <u>(6,777)</u>	\$ <u>205,905</u>	\$ <u>102,953</u>

NOTE 4 - OTHER INFORMATION

Pension Plan

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, 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 SC 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, an 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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION

Pension Plan (Continued)

Description of the Entity (Continued)

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, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 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 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 subdivisions of government, and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

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 and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

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 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.

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).

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

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 at or after the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP). Employee and Employer 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 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

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 benefit terms for each system is presented below.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Benefits (Continued)

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.

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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

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 9.00 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 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 first, 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 ratio of less than 85 percent, then effective on the following July first, 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.

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**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Contributions (Continued)

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2021¹</u>	<u>Fiscal Year 2020¹</u>
SCRS		
Employee Class Two	9.0%	9.0%
Employee Class Three	9.0%	9.0%
State ORP		
Employee	9.0%	9.0%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2021¹</u>	<u>Fiscal Year 2020¹</u>
SCRS		
Employer Class Two	15.41%	15.41%
Employer Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	17.84%	17.84%
Employer Class Three	17.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

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 the first use in the July 1, 2021 actuarial valuation.

The June 30, 2020 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown were determined by the 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 Plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry age--Normal	Entry age--Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
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. 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 projected 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%

**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

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:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer's Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
SCRS	\$ 184,042	\$ 93,336	\$ 90,706	50.7%
PORS	7,046,437	4,142,341	2,904,096	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 System's 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 Nos. 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 markets 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 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 below. For actuarial purposes, the 7.25 percent assumed 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.

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**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Long-term Expected Rate of Return (Continued)

Allocation / Exposure	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
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%
Real Assets	12.0%		
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%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
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%
Rate Sensitive	14.0%		
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%
Total Expected Nominal Return			8.05%

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 the 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.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

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 employer's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate:

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

	1.0% Decrease (6.25%)	Current Discount Rate (7.25%)	1.0% Increase (8.25%)
SCRS	\$ 112,419	\$ 90,706	\$ 72,575
PORS	<u>3,844,534</u>	<u>2,904,096</u>	<u>2,148,984</u>
Total	\$ <u>3,956,953</u>	\$ <u>2,994,802</u>	\$ <u>2,221,559</u>

Payables to the Pension Plan

At June 30, 2021, the Department did not have any outstanding payables to the System.

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2020, are presented below:

Description	SCRS	PORS
Service cost (annual cost of current service)	\$ 3,463	\$ 174,046
Interest on the total pension liability	12,608	480,296
Plan administrative costs	50	2,162
Plan member contributions	(3,275)	(132,966)
Expected return on plan assets	(6,945)	(305,549)
Recognition of current year amortization – Difference between expected and actual experience and assumption changes	1,685	91,926
Recognition of current year amortization – Difference between projected and actual investment earnings	2,558	109,274
Other	5	(862)
Total	<u>\$ 10,149</u>	<u>\$ 418,327</u>

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Description (Continued)

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NPL and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

The following schedules reflect the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2020:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	SCRS	PORS	Total	SCRS	PORS	Total
Differences between expected and actual experience	\$ 1,047	\$ 61,718	\$ 62,765	\$ 343	\$ 12,783	\$ 13,126
Assumption changes	111	35,440	35,551	--	--	--
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	5,880	102,048	107,928	31,964	--	31,964
Net difference between projected and actual investment earnings	6,673	297,372	304,045	--	--	--
Contributions subsequent to the measurement date	9,072	261,321	270,393	--	--	--
	<u>\$ 22,783</u>	<u>\$ 757,899</u>	<u>\$ 780,682</u>	<u>\$ 32,307</u>	<u>\$ 12,783</u>	<u>\$ 45,090</u>

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**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Difference between expected and actual experience:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Balance	\$ 704	\$ 48,935	\$ 49,639
Amortization Period ³	4.04	4.32	4.18
Amortized period ending June 30:			
2021	(114)	(25,960)	(26,074)
2022	(249)	(11,914)	(12,163)
2023	(341)	(9,218)	(9,559)
2024	--	(1,843)	(1,843)

Assumption Changes:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Balance	\$ 111	\$ 35,440	\$ 35,551
Amortization Period ⁴	4.04	4.32	4.18
Amortized period ending June 30:			
2021	(111)	(35,440)	(35,551)

Difference between projected and actual investment earnings:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Balance	\$ 6,673	\$ 297,372	\$ 304,045
Amortization Period ³	5.0	5.0	5.0
Amortized period ending June 30:			
2021	(1,130)	(53,253)	(54,383)
2022	(1,861)	(82,570)	(84,431)
2023	(1,981)	(86,586)	(88,567)
2024	(1,701)	(74,963)	(76,664)

³ In accordance with GASB 68, paragraph 71a, the difference between each year's expected and actual experience is required to be amortized over the average remaining service lives of all employees provided with pensions through the plan at June 30.

⁴ In accordance with GASB 68, paragraph 71b, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5 year period.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed.

Employer and Nonemployer Contributions

Employers' proportionate shares were calculated on the basis of employer and nonemployer contributions remitted to the plan. In an effort to help offset a portion of the increased contribution requirement for employers, the General Assembly again provided nonemployer contributions to PEBA. Based on the criteria provided in the South Carolina 2019 – 2020 Appropriations Act, Section 117.131, PEBA issued credit invoices to certain SCRS and PORS employers for fiscal year 2020 who then applied the credit invoices towards contributions otherwise due to the Systems. The amount of credit invoices issued in fiscal year 2020 totaled \$88.7 million and \$12.5 million for SCRS and PORS respectively.

Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions towards the purchase of employee service purchases and employer contributions paid by employees.

The following table provides a reconciliation of Employer and Nonemployer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the Employer and Nonemployer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer and Nonemployer Allocations.

**LAKE CUNNINGHAM FIRE DEPARTMENT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 – OTHER INFORMATION (CONTINUED)

Pension Plan (Continued)

Employer and Nonemployer Contributions

	SCRS	PORS
Employer Contributions Reported in Statement of Changes in Net Position for the fiscal year ended June 30, 2020	\$ 6,162	\$ 241,300
Nonemployer Contributions Reported in Statement of Changes in Net Position for the fiscal year ended June 30, 2020	--	--
Employer Contributions Not Representative of Future Contribution Effort	--	--
Employer and Nonemployer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts – June 30, 2020 Measurement Date	\$ 6,162	\$ 241,300

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 valuation report 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.

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 on January 14, 2021 to reflect the purchase of a fire truck.

**LAKE CUNNINGHAM FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 5 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through November 12, 2021, the date on which the financial statements were available to be issued.

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. The World Health Organization (WHO) declared the COVID-19 outbreak a pandemic on March 11, 2020. Measures taken to control the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in an economic slowdown. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position of the Department for future periods.

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, 2021

	BUDGET AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,103,082	\$ 103,082
Fire Contract	40,000	40,000	43,716	3,716
Interest Income	10,000	10,000	18,066	8,066
Other Revenue	-	-	901	901
TOTAL REVENUES	<u>3,050,000</u>	<u>3,050,000</u>	<u>3,165,765</u>	<u>115,765</u>
EXPENDITURES				
Current:				
Fire Department Operations	3,036,543	3,036,543	2,804,004	232,539
Capital Outlay	13,457	629,410	608,646	20,764
TOTAL EXPENDITURES	<u>3,050,000</u>	<u>3,665,953</u>	<u>3,412,650</u>	<u>253,303</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(615,953)</u>	<u>(246,885)</u>	<u>369,068</u>
NET CHANGE IN FUND BALANCE	-	(615,953)	(246,885)	369,068
FUND BALANCE, Beginning of Year	<u>2,834,228</u>	<u>2,834,228</u>	<u>2,834,228</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 2,834,228</u>	<u>\$ 2,218,275</u>	<u>\$ 2,587,343</u>	<u>\$ 369,068</u>

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*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
South Carolina Retirement System										
Department's proportion of the net pension liability	0.0004%	0.0005%	0.0004%	0.0006%	0.0006%	0.0004%	0.0004%	N/A	N/A	N/A
Department's proportionate share of the net pension liability	\$ 90,706	\$ 111,072	\$ 96,963	\$ 138,897	\$ 123,033	\$ 77,948	\$ 75,409	N/A	N/A	N/A
Department's covered-employee payroll	\$ 39,604	\$ 51,365	\$ 44,844	\$ 62,245	\$ 50,286	\$ 38,530	\$ 39,767	N/A	N/A	N/A
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.03%	216.24%	216.22%	233.15%	244.67%	202.30%	189.63%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	50.71%	54.35%	54.06%	53.34%	52.91%	56.99%	59.92%	N/A	N/A	N/A
South Carolina Police Officers Retirement System										
Department's proportion of the net pension liability	0.0876%	0.0845%	0.0820%	0.0816%	0.0798%	0.0807%	0.0821%	N/A	N/A	N/A
Department's proportionate share of the net pension liability	\$ 2,904,096	\$ 2,422,655	\$ 2,324,523	\$ 2,237,317	\$ 2,026,314	#####	\$ 1,572,415	N/A	N/A	N/A
Department's covered-employee payroll	\$ 1,295,837	\$ 1,199,069	\$ 1,108,499	\$ 1,086,335	\$ 1,019,815	#####	\$ 987,870	N/A	N/A	N/A
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	224.11%	202.04%	209.70%	205.95%	198.69%	173.80%	159.17%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	N/A	N/A	N/A

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

N/A -- Not Available

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<u>South Carolina Retirement System</u>										
Contractually required contributions	\$ 9,072	\$ 6,162	\$ 7,479	\$ 6,081	\$ 7,196	\$ 5,562	\$ 4,200	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contributions	9,072	6,162	7,479	6,081	7,196	5,562	4,200	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A
Department's covered-employee payroll	\$ 58,302	\$ 39,604	\$ 51,365	\$ 44,844	\$ 62,245	\$ 50,286	\$ 38,530	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	N/A	N/A	N/A
<u>South Carolina Police Officers Retirement System</u>										
Contractually required contributions	\$ 261,321	\$ 241,300	\$ 211,793	\$ 184,405	\$ 154,694	\$ 140,123	\$ 135,745	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contributions	261,321	241,300	211,793	184,405	154,694	140,123	135,745	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A
Department's covered-employee payroll	\$ 1,423,125	\$ 1,295,837	\$ 1,199,069	\$ 1,108,499	\$ 1,086,335	\$ 1,019,815	\$ 1,012,267	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	N/A	N/A	N/A

N/A -- Not Available

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, 2021**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Property Taxes	\$ 3,000,000	\$ 3,103,082	\$ 103,082
Fire Contract	40,000	43,716	3,716
Interest Income	10,000	18,066	8,066
Other Income	-	901	901
TOTAL REVENUES	<u>3,050,000</u>	<u>3,165,765</u>	<u>115,765</u>
EXPENDITURES			
Current:			
Personnel	2,710,343	2,562,059	148,284
Buildings & Grounds	63,000	48,007	14,993
Supplies & Services	49,000	44,226	4,774
Training Expense	13,000	3,397	9,603
Fire Supplies	59,300	53,191	6,109
Vehicle Expense	79,000	61,728	17,272
Communications	11,000	2,086	8,914
Miscellaneous	9,000	3,459	5,541
Insurance	25,000	17,241	7,759
Dues & Publications	2,900	2,181	719
Uniforms	15,000	6,429	8,571
Total Current Expenditures	<u>3,036,543</u>	<u>2,804,004</u>	<u>232,539</u>
Capital Outlay	<u>629,410</u>	<u>608,646</u>	<u>20,764</u>
TOTAL EXPENDITURES	<u>3,665,953</u>	<u>3,412,650</u>	<u>253,303</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(615,953)</u>	<u>(246,885)</u>	<u>369,068</u>
NET CHANGE IN FUND BALANCE	<u>\$ (615,953)</u>	<u>\$ (246,885)</u>	<u>\$ 369,068</u>