

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA

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LANDRUM AREA FIRE AND RESCUE DISTRICT

Landrum, South Carolina

A Special Purpose District

created by the

South Carolina Legislature

2015

COMMISSIONERS

Pam Hilsman, Chairwoman

Scott Owens, Vice Chair

J.R. Jackson, Secretary / Treasurer

Christopher Chestnut

Diana Winkler

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Landrum Area Fire and Rescue District
Landrum, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Landrum Area Fire and Rescue District, South Carolina (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Landrum Area Fire and Rescue District, South Carolina, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedule for the General Fund, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
August 21, 2017

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

This management's discussion and analysis ("MD&A") of Landrum Area Fire and Rescue District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this MD&A is to present the District's financial performance as a whole; readers should also review the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights are as follows:

- The District's governmental fund's revenues were approximately \$933,000 for 2017, compared to approximately \$913,000 in the prior year. The increase was primarily due to an increase in property tax and grant revenues, partially offset by a decrease in donations and other revenues. Revenues consisted primarily of property taxes of approximately \$890,000.
- The District's governmental fund's expenditures were approximately \$1,391,000 for 2017, compared to approximately \$524,000 in the prior year. This increase of approximately \$867,000 was primarily due to much higher capital outlay expenditures and salaries and benefits. Current year expenditures included salaries and benefits of approximately \$407,000, operational costs of approximately \$63,000, and capital outlay of \$779,000. The District also incurred a total of approximately \$142,000 in maintenance, insurance, and all other expenditures.
- The District reported ending fund balance of approximately \$957,000, which was an increase of approximately \$380,000 from the prior year ending fund balance, as revenues and other financing sources exceeded expenditures. Approximately \$663,000 of the fund balance, or 69%, is unassigned and available for spending at the District's discretion, which represents 48% of total expenditures for the year ended June 30, 2017. Unassigned fund balance increased approximately \$181,000 from the prior year.
- On the government-wide financial statements, the assets of the District exceeded its liabilities at June 30, 2017 by approximately \$1,076,000. The District reported a balance in unrestricted net position of approximately \$688,000.
- On the government-wide financial statements, the total net position of the District increased by approximately \$238,000, as revenues in the current fiscal year of approximately \$969,000 exceeded expenses of approximately \$731,000.
- The District's total net capital assets were approximately \$912,000, which was an increase of approximately \$669,000 (275%) from the prior year, as current year additions of approximately \$711,000 exceeded depreciation expense of approximately \$42,000. Current year additions consisted of two vehicles totaling approximately \$94,000 and a new pumper fire engine of approximately \$617,000.
- The District's long-term obligations were approximately \$803,000 at the end of the fiscal year, as the District entered into a debt agreement with BB&T in December 2016, with the funds to be used for the purchase of two new pumper fire engines and turnout gear. Only one of the pumper engines had been purchased as of June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: the *Financial Section* (which includes management's discussion and analysis, the financial statements, the required supplementary information, and the supplementary information), and the *Compliance Section*.

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the District. The first two statements are *government-wide financial statements* that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise.

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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Both of the government-wide financial statements distinguish functions of the District 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 District consist of fire safety and emergency response services. The District does not report any business-type activities.

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, 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 District utilizes only governmental funds in reporting its operations.

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

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

The District maintains only one governmental fund, its General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance for the General Fund. The governmental fund financial statements can be found as listed in the table of contents.

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

Other Information. In addition to the financial statements and accompanying notes, required supplementary information and supplementary information have been provided which are intended to enhance the financial statements. This other information can be found as listed in the table of contents of this report.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the District's Government-Wide and Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Fund Financial Statements
Scope	Entire District	The activities of the District that are governmental in nature
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Change in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of balance sheet information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) expected to be used up and liabilities and deferred inflows of resources (if any) that come due during the year or soon thereafter; no capital assets or long-term obligations are 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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a summary of the District's net position at June 30, 2017 and 2016:

Table 1 - Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current and Other Assets	\$ 1,009,203	\$ 610,341
Capital Assets, Net	912,177	243,400
Total Assets	<u>1,921,380</u>	<u>853,741</u>
Liabilities		
Current Liabilities	41,927	15,016
Long-term Liabilities	803,000	-
Total Liabilities	<u>844,927</u>	<u>15,016</u>
Net Position		
Net Investment in Capital Assets	388,064	243,400
Unrestricted	688,389	595,325
Total Net Position	<u>\$ 1,076,453</u>	<u>\$ 838,725</u>

Total assets increased from the prior year primarily due to the following: (1) an increase in cash of approximately \$508,000 as revenues exceeded expenses combined with the proceeds from the issuance of the financing lease with BB&T; (2) an increase in capital asset of approximately \$669,000 due to the purchase of two new vehicles and the new pumper fire engine totaling approximately \$711,000, partially offset by depreciation expense of approximately \$42,000; and (3) a decrease in prepaid assets (approximately \$81,000) and receivables (approximately \$31,000). Total liabilities increased from the prior year primarily due to the financing purchase agreement with BB&T for \$803,000 for the purchase of capital outlay that was executed in December 2016.

Governmental accounting principles require the District to classify its net position in up to three categories. The District uses the following categories to classify its net position:

- ◆ Net investment in capital assets – This represents amounts invested in capital assets, less accumulated depreciation and amortization on those assets and is net of any related indebtedness used to acquire its capital assets.. At June 30, 2017 and 2016, the amount invested in capital assets was approximately \$388,000 (36% of the total net position) and \$243,000 (29% of the total net position).
- ◆ Unrestricted – This represents the portion of net position that can be used to finance the daily operations of the District for which no restrictions are imposed. The balance of unrestricted net position as of June 30, 2017 and 2016 was approximately \$688,000 (64% of the total net position) and \$595,000 (71% of the total net position).

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Table 2 shows the change in net position for the year ended June 30, 2017 and 2016:

Table 2 -Changes in Net Position

Revenues	<u>2017</u>	<u>2016</u>
Program Revenue:		
Operating Grants	\$ 38,360	\$ 22,932
General Revenue:		
Property Taxes	891,450	890,034
Gain on Sale of Capital Assets	35,000	-
Other	4,006	18,169
Total Revenues	<u>968,816</u>	<u>931,135</u>
 Program Expenses		
Fire Safety and Emergency Response	722,295	444,749
Interest	8,793	3,674
Total Program Expenses	<u>731,088</u>	<u>448,423</u>
 Special Item - Transfer from the City of Landrum	<u>-</u>	<u>356,013</u>
 Change in Net Position	237,728	838,725
 Net Position, Beginning of Period	<u>838,725</u>	<u>-</u>
 Net Position, End of Period	<u>\$ 1,076,453</u>	<u>\$ 838,725</u>

The increase in the District’s net position of approximately \$238,000 (28%) is due to the following:

- Revenues increased approximately \$38,000 from the prior year primarily due to the gain from the sale of a Rescue Pumper truck of \$35,000 and due to an increase of approximately \$15,000 in grants, partially offset by a decrease in donations and other revenues of approximately \$14,000.
- Program expenses increased approximately \$283,000 from the prior year primarily due to an increase in payroll expenses and depreciation expense.
- Special Item – in the prior year, when the District first began its operations, there was a transfer from the City of Landrum of approximately \$356,000, consisting of cash of approximately \$189,000 and capital assets of approximately \$267,000, less debt assumed of approximately \$100,000. The District did not have any similar transactions with the City of Landrum in the current year.

FINANCIAL ANALYSIS OF THE DISTRICT’S GENERAL FUND

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one governmental fund, its General Fund.

The analysis of the General Fund 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?

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT’S GENERAL FUND (CONTINUED)

For the period ended June 30, 2017, the District’s General Fund reported fund balance of approximately \$957,000 as compared to the prior year amount of approximately \$578,000, as explained previously. Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending. At June 30, 2017, the District’s unassigned fund balance was approximately \$663,000 and is available for spending at the District’s discretion. The District also reported restricted fund balance of approximately \$279,000, consisting of the remaining unused proceeds from the BB&T financing purchase agreement. This amount will be expended in fiscal 2018 when the District purchases a second pumper fire engine. The remaining fund balance of approximately \$15,000 consists of non-spendable prepaid insurance, which were paid for in 2017 but will be recognized as expenditures during the next fiscal year.

The fund balance for the District’s General Fund increased by approximately \$380,000 or 66% during the current fiscal year. The increase was primarily due to an increase in property taxes of approximately \$18,000, a gain on the sale of a Rescue Pumper truck of \$35,000 and proceeds from the issuance of BB&T financing purchase agreement for \$803,000. These revenues and other financing sources were partially offset by an increase of approximately \$194,000 in operating expenditures (primarily salaries and benefits) and an increase of approximately \$775,000 in capital expenditures (purchase of the two new vehicles, the new pumper fire engine, and turn-out gear), less approximately \$103,000 in lower debt service expenditures as the District paid off the loan balance that was transferred from the City of Landrum during the year ended June 30, 2016.

General Fund Budgetary Highlights

The District’s budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the period ended June 30, 2017, no amendments were made to the District’s budget. Actual revenues of approximately \$933,000 were higher than budgeted revenues of approximately \$841,000 by approximately \$92,000, primarily due to higher property tax revenues of approximately \$49,000 and grant revenues of approximately \$38,000, which were not budgeted. Actual expenditures of approximately \$1,391,000 were higher than budgeted expenditures of approximately \$841,000 by approximately \$550,000, primarily due to higher than budgeted salaries and benefits of approximately \$102,000 and higher capital outlay of approximately \$404,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The table below shows capital asset balances by category at June 30, 2017 and 2016:

**Table 3
Capital Assets**

	June 30, 2017	June 30, 2016
Land	\$ 35,000	\$ 35,000
Buildings and Improvements	271,000	271,000
Vehicles	1,396,017	685,000
Equipment	31,800	31,800
Less: Accumulated Depreciation	(821,640)	(779,400)
Totals	<u>\$ 912,177</u>	<u>\$ 243,400</u>

The total increase in the District’s capital assets was approximately \$669,000, or 275%. The major capital asset events during the current fiscal year consisted of the following:

- Additions of approximately \$711,000 consisting of the purchase of two new vehicles for approximately \$94,000 and a new pumper fire engine for approximately \$617,000.
- Depreciation expense of approximately \$42,000.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

More detailed information about the District's capital assets is included in the notes to the financial statements.

Debt Administration

Table 4 shows details of the long-term debt balances as of June 30, 2017 and 2016:

Table 4
Long-Term Debt

Description	June 30, 2017	June 30, 2016
BB&T Lease Purchase Agreement	\$ 803,000	\$ -
Total	\$ 803,000	\$ -

The total increase in the District's debt was \$803,000, as the District did not have any outstanding indebtedness as of June 30, 2016. The current year increase was due to the District entering into a financing purchase agreement with BB&T in the amount of \$803,000 for the purchase of two new pumper fire engines and turnout gear. There were no debt service payments made during the year ended June 30, 2017, as the first payment on the agreement with BB&T is not due until December 2017. More detailed information about the District's debt is included in the notes to the financial statements.

The State limits the amount of general obligation debt that the District can issue to 8% of the assessed value of all taxable property within the District's geographic limits. The assessed value was approximately \$18.7 million, resulting in a legal debt margin of approximately \$1.5 million at June 30, 2017.

ECONOMIC FACTORS

Greenville and Spartanburg County, South Carolina are strategically located approximately half the distance between Atlanta, Georgia and Charlotte, North Carolina along Interstate 85. Greenville and Spartanburg County are continuing to experience positive population growth.

FISCAL YEAR 2018 BUDGET

The District has budgeted expenditures for 2018 of approximately \$841,000, which was virtually unchanged from the 2017 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chief Warren Ashmore at 200 N. Trade Avenue, by telephone at 864-457-3101, or visit the District's website at www.landrumfire.com.

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Financial Statements

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents - Unrestricted	\$ 674,139
Cash and Cash Equivalents - Restricted	278,887
Property Taxes Receivable, Net	19,770
Due from Other Governments	21,246
Prepays	15,161
Capital Assets:	
Non-Depreciable	35,000
Depreciable, Net	877,177
TOTAL ASSETS	<u>1,921,380</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	33,134
Accrued Interest Payable	8,793
Non-Current Liabilities:	
Long-Term Obligations - Due Within One Year	107,395
Long-Term Obligations - Due in More Than One Year	695,605
TOTAL LIABILITIES	<u>844,927</u>
NET POSITION	
Net Investment in Capital Assets	388,064
Unrestricted	688,389
TOTAL NET POSITION	<u>\$ 1,076,453</u>

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

LANDRUM AREA FIRE AND RESCUE DISTRICT
 LANDRUM, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Totals</u>
PRIMARY GOVERNMENT:						
Governmental Activities:						
Fire Safety and Emergency Response	\$ 722,295	-	38,360	-	(683,935)	\$ (683,935)
Interest	8,793	-	-	-	(8,793)	(8,793)
TOTAL PRIMARY GOVERNMENT	\$ 731,088	-	38,360	-	(692,728)	(692,728)
General Revenues:						
Property Taxes Levied for General Purposes					891,450	891,450
Miscellaneous Revenue					4,006	4,006
Gain on Sale of Capital Assets					35,000	35,000
Total General Revenues					<u>930,456</u>	<u>930,456</u>
CHANGE IN NET POSITION					237,728	237,728
NET POSITION, Beginning of Period					<u>838,725</u>	<u>838,725</u>
NET POSITION, End of Period					\$ 1,076,453	\$ 1,076,453

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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2017

	GOVERNMENTAL FUND
	GENERAL
ASSETS	
Cash and Cash Equivalents - Unrestricted	\$ 674,139
Cash and Cash Equivalents - Restricted	278,887
Property Taxes Receivable, Net	19,770
Due from Other Governments	21,246
Prepaid Assets	15,161
TOTAL ASSETS	\$ 1,009,203
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 33,134
TOTAL LIABILITIES	33,134
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	18,986
TOTAL DEFERRED INFLOWS OF RESOURCES	18,986
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	52,120
FUND BALANCE:	
Nonspendable:	
Prepaid Assets	15,161
Restricted for Capital Improvements	278,887
Unassigned	663,035
TOTAL FUND BALANCE	957,083
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,009,203

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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

TOTAL FUND BALANCE - GOVERNMENTAL FUND **\$ 957,083**

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

Property taxes in the funds include revenues that are not considered revenue in the Statement of Net Position. In addition, property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	18,986
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund. The cost of the assets was \$1,733,817 and the accumulated depreciation was \$821,640.	912,177
Accrued interest on the debt in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the funds.	(8,793)
Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the governmental fund. Long-term liabilities at year-end are reported in the Statement of Net Position and consisted of the following: Long-Term Debt	 (803,000)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 1,076,453**

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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2017

	GOVERNMENTAL FUND
	GENERAL
REVENUES	
Property Taxes	\$ 890,289
Grant Revenue	38,360
Donations and Contributions	3,519
Other Revenues	487
TOTAL REVENUES	932,655
EXPENDITURES	
Current:	
Fire Safety and Emergency Response	612,323
Capital Outlay	778,749
TOTAL EXPENDITURES	1,391,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(458,417)
OTHER FINANCING SOURCES (USES)	
Proceeds from Issuance of Debt	803,000
Sale of Capital Assets	35,000
TOTAL OTHER FINANCING SOURCES (USES)	838,000
CHANGE IN FUND BALANCE	379,583
FUND BALANCE, Beginning of Period	577,500
FUND BALANCE, End of Period	\$ 957,083

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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

TOTAL CHANGE IN FUND BALANCE - GOVERNMENTAL FUND **\$ 379,583**

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 governmental fund. They are considered revenues in the Statement of Activities.	1,161
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long term liabilities in the Statement of Net Position.	(803,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(8,793)
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$711,017 exceeded depreciation of \$42,240 in the current period.	668,777

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 237,728**

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

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

Landrum Area Fire and Rescue District (the “District”) is a special purpose district created on June 3, 2015 by the South Carolina legislature to provide fire safety and emergency response services to residents of a specified geographical area within the boundaries of Spartanburg and Greenville Counties in South Carolina. The District operates under a commission form of government.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), 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 District’s accounting policies are described below.

As required by GAAP, the financial statements must present the District’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the District both appoints a voting majority of the entity’s governing body, and either 1) the District 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 District. 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 District and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the District.

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 District having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the District; and (c) issue bonded debt without approval by the District. An entity has a financial benefit or burden relationship with the District if, for example, any one of the following conditions exists: (a) the District is legally entitled to or can otherwise access the entity’s resources, (b) the District is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the District is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the District’s financial statements to be misleading. 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 in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the District. Based on the criteria above, the District does not have any component units.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District (the primary government). *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 District does not report any business-type activities.

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

LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

program revenues identifies the extent to which each business segment, or governmental function, is self-financing or draws from the general revenues of the District.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 financial 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 financial statements and the financial statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Property taxes, intergovernmental revenues, fees 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. 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 property taxes to be available if they are collected within 30 days of the end of the current fiscal period. A 60-day availability period is generally used for revenue recognition for all other governmental fund revenue with the exception of certain expenditure driven grants, for which a one-year availability period is used. 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. Capital asset acquisitions are reported as capital outlay expenditures in the governmental fund. Proceeds of long-term debt are reported as other financing sources.

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

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. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The following fund type is used by the District.

Governmental fund types are those through which all of the governmental functions of the District are financed. The District's expendable financial resources and related assets and liabilities are accounted for in a governmental fund. The governmental fund is accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following is the District's only governmental fund:

The **General Fund, a major fund**, is the general operating fund of the District and accounts for all revenues and expenditures of the District. All general tax revenues and other receipts are accounted for in the General Fund. This is a budgeted fund, and any fund balance that does not have constraints is considered a resource available for use.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets, if applicable) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

Investments

The District'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 District to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States;
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
- d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
- (e) Certificates of deposit where the certificates 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 of deposit 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;
- (f) Repurchase agreements when collateralized by securities as set forth in this section; and
- (g) 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), (c), and (f) 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.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

The District's cash investment objectives are preservation of capital, liquidity, and yield. The District reports its cash, cash equivalents, and investments at fair value which is normally determined by quoted market prices.

The District currently does not report any investments as defined above.

2. Receivables and Payables

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method (if material). An 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 or the asset has been received by the District.

4. Capital Assets

Capital assets generally result from expenditures in the governmental fund. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost). Donated capital assets are recorded at their estimated acquisition value (as estimated by the District) as of the date donated. The District maintains a capitalization threshold of \$5,000 for equipment, \$5,000 for vehicles less than 13,000 pounds, \$15,000 for vehicles in excess of 13,000 pounds, and \$25,000 for buildings and improvements. 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 is not capitalized during the construction of capital assets.

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>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40
Vehicles	5-15
Equipment	5-15

LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. *Accrued Liabilities*

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 the governmental funds are reported on the governmental funds financial statements regardless of whether they will be liquidated with current resources. However, long-term obligations that will be paid from the 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).

In the government-wide financial statements for the District, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position, if applicable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Issuance costs are expensed when incurred.

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

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial 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. The District currently does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial 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 District currently has one type of deferred inflows of resources: (1) The District reports *unavailable revenue – property taxes* only in the governmental fund balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available.

7. *Fund Balance*

In accordance with GAAP, the District classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaid assets, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

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

LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. *Fund Balance (Continued)*

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority before the end of the reporting period. For purposes of the District, the Board of Commissioners (“Board”) must commit fund balance by formal resolution before the end of the reporting period for fund balance to qualify in this category. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use of the committed fund balance by the same action (resolution).

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made by the highest level of decision making authority, or by parties delegated this authority, before the report issuance date. For purposes of the District, the Board assigns fund balance by an approved motion by the Board before report issuance for fund balance to qualify in this category.

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

The District generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the District generally would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

8. *Net Position*

Net position represents the difference between assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist 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 (if any). Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

10. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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. Prior to July 1 each year, the Board of Commissioners adopts an annual budget ordinance for the General Fund. The presented budgetary information for 2017 is as originally adopted, as the District did not make any amendments to the original budget. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual contains the original budget and the revised budget.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District’s deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2017, none of the District’s bank balances of approximately \$1,016,000 (which had a carrying value of approximately \$953,000) was exposed to custodial credit risk. The bank balance was higher than the carrying value primarily due to outstanding checks.

B. Receivables and Unavailable Revenues

Spartanburg and Greenville County, South Carolina are responsible for levying and collecting sufficient property taxes to meet its funding obligations for the District. This obligation is established each year by the Commissioners of the District 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 counties at the time they are collected by the counties.

Property taxes are levied and billed by both Spartanburg County and Greenville County on real and personal properties based on an assessed value of approximately \$19.96 million for the 2016 levy year (Spartanburg County) and \$0.84 million (Greenville County), at a millage rate of 45.9 mills (same for both counties). 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 vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

The District has recorded uncollected delinquent property taxes at June 30, 2017 of approximately \$20,000 (net of an allowance for uncollectible portion of approximately \$14,000). Delinquent property taxes of \$784 have been recognized as revenue at June 30, 2017 because they were collected within 30 days of year end and had been received by the District or its fiscal agent (the County). The remaining delinquent property tax receivable of approximately \$19,000 has been recorded by the District as unavailable revenue (deferred inflow of resources) at June 30, 2017 on the governmental fund financial statements because they were not collected within 30 days after year end and are thus not considered available.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable Revenues (Continued)

The District also had a receivable totaling approximately \$21,000 that was due from the Greenville County Treasurer (approximately \$774) and the Spartanburg County Treasurer (approximately \$18,000) related to property taxes collected by the respective counties prior to June 30, 2017 which were not remitted to the District until after June 30, 2017. The remaining receivable was due from the South Carolina Forestry Commission related to a grant of approximately \$2,000, which was received by the District after June 30, 2017.

C. Capital Assets

Following is a summary of capital asset activity for the District for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 35,000	-	-	\$ 35,000
Total Capital Assets, Non-Depreciable	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Capital Assets, Depreciable:				
Buildings and Improvements	271,000	-	-	271,000
Vehicles	685,000	711,017	-	1,396,017
Equipment	31,800	-	-	31,800
Total Capital Assets, Depreciable	<u>987,800</u>	<u>711,017</u>	<u>-</u>	<u>1,698,817</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(162,600)	(6,775)	-	(169,375)
Vehicles	(585,000)	(35,465)	-	(620,465)
Equipment	(31,800)	-	-	(31,800)
Total Accumulated Depreciation	<u>(779,400)</u>	<u>(42,240)</u>	<u>-</u>	<u>(821,640)</u>
Total Capital Assets, Depreciable, Net	<u>208,400</u>	<u>668,777</u>	<u>-</u>	<u>877,177</u>
Governmental Activities Capital Assets, Net	<u>\$ 243,400</u>	<u>668,777</u>	<u>-</u>	<u>\$ 912,177</u>

The District's only function is Fire Safety and Emergency Response; thus, all depreciation expense is charged to that function.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Long-Term Obligations

The District’s only long-term obligation in the current year was for a finance purchase agreement with BB&T in the amount of \$803,000 to fund the purchase of two new pumper fire engines and turnout gear. The agreement was executed in December 2016. Debt service payments consist of seven annual payments of \$124,981 beginning in December 2017 through December 2023, which includes interest at 2.19%.

The following is a summary of changes in District long-term obligations for the year ended June 30, 2017:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
BB&T Finance Purchase Agreement	\$ -	803,000	-	803,000	\$ 107,395
Total Governmental Activities	<u>\$ -</u>	<u>803,000</u>	<u>-</u>	<u>803,000</u>	<u>\$ 107,395</u>

The State limits the amount of general obligation debt that Districts can issue to 8% of the assessed value of all taxable property within the District's corporate limits. At June 30, 2017, the District’s assessed property valuation was approximately \$18,666,000. The District did not have any bonded debt subject to the 8% limit; it has an unused legal debt margin of approximately \$1,493,000 as of June 30, 2017.

As of June 30, 2017, the annual requirements to amortize the finance purchase agreement are as follows:

Year Ending June 30,	Finance Purchase Agreement		Totals
	Principal	Interest	
2018	\$ 107,395	17,586	\$ 124,981
2019	109,747	15,234	124,981
2020	112,151	12,830	124,981
2021	114,607	10,374	124,981
2022	117,116	7,864	124,980
2023-2024	241,984	7,978	249,962
Totals	<u>\$ 803,000</u>	<u>71,866</u>	<u>\$ 874,866</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees’ and natural disasters. The District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Health Insurance

The District maintains a fully insured health insurance program for its full-time District employees. The District pays a premium each month to the insurer and the insurance provider pays all covered claims.

C. Commitments

The District entered into a purchase agreement in January 2017 with a manufacturer of fire apparatus in January 2017 for a new pumper fire engine in the amount of approximately \$279,000. The District will finance the purchase using the remaining unspent proceeds from the BB&T Finance Purchase Agreement that was executed in December 2016. The fire engine was delivered to the District in August 2017.

D. Subsequent Event

The District anticipates implementing two retirement plans (both a 401(a) plan and a 457(b) plan) for its employees beginning in fiscal year 2018; these plans are estimated to have an impact of approximately \$25,000 on the District for fiscal 2018.

**LANDRUM AREA FIRE AND RESCUE DISTRICT
LANDRUM, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGET AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Property Taxes	\$ 840,900	840,900	890,289	\$ 49,389
Grant Revenue	-	-	38,360	38,360
Donations and Contributions	-	-	3,519	3,519
Other Revenues	-	-	487	487
TOTAL REVENUES	840,900	840,900	932,655	91,755
EXPENDITURES				
Current:				
Fire Safety and Emergency Response	465,900	465,900	612,323	(146,423)
Capital Outlay	375,000	375,000	778,749	(403,749)
TOTAL EXPENDITURES	840,900	840,900	1,391,072	(550,172)
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	-	-	(458,417)	(458,417)
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	-	803,000	803,000
Sale of Capital Assets	-	-	35,000	35,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	838,000	838,000
CHANGE IN FUND BALANCE	-	-	379,583	379,583
FUND BALANCE, Beginning of Period	577,500	577,500	577,500	-
FUND BALANCE, End of Period	\$ 577,500	577,500	957,083	\$ 379,583

Note: The General Fund budgetary comparison schedule has been prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: Actual expenditures exceeded budget primarily due to additional capital outlay and employee salaries and benefits. These additional expenditures were approved by the Board of Commissioners; however, the District did not amend the budget to reflect the additional expenditures.

LANDRUM AREA FIRE AND RESCUE DISTRICT
 LANDRUM, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - GENERAL FUND

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES:			
Property Taxes	\$ 840,900	890,289	\$ 49,389
Grant Revenue	-	38,360	38,360
Donations and Contributions	-	3,519	3,519
Other Revenues	-	487	487
TOTAL REVENUES	840,900	932,655	91,755
EXPENDITURES:			
Current:			
Utilities, Supplies and Grounds	19,000	31,354	(12,354)
Operational Expenditures	54,300	63,045	(8,745)
Training	6,000	22,500	(16,500)
Vehicle Operation and Maintenance	35,000	25,763	9,237
Equipment Operating and Maintenance	20,000	31,664	(11,664)
Communication	2,000	676	1,324
Medical Supplies and Testing	4,500	5,816	(1,316)
Salaries and Benefits	305,600	407,436	(101,836)
Junior Fire Fighters (Explorers)	3,000	3,000	-
Building and Equipment Insurance	15,000	17,147	(2,147)
Auxiliary Expenditures	1,500	2,207	(707)
Fundraising Expense	-	1,715	(1,715)
Total Current	465,900	612,323	(146,423)
Capital Outlay	375,000	778,749	(403,749)
TOTAL EXPENDITURES	840,900	1,391,072	(550,172)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(458,417)	(458,417)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Debt	-	803,000	803,000
Sale of Capital Assets	-	35,000	35,000
TOTAL OTHER FINANCING SOURCES (USES)	-	838,000	838,000
CHANGE IN FUND BALANCE	-	379,583	379,583
FUND BALANCE, Beginning of Period	577,500	577,500	-
FUND BALANCE, End of Period	\$ 577,500	957,083	\$ 379,583

Compliance Section

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Landrum Area Fire and Rescue District
Landrum, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Landrum Area Fire and Rescue District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 21, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
August 21, 2017