

BURTON FIRE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

**BURTON FIRE DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditors' Report	1
Management Discussion and Analysis	3
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	10
Statement of Activities	11
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund Types	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
<i>Notes to the Financial Statements</i>	16
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	34
Schedule of Proportionate Share of the Net Pension Liability	37
Schedule of Contributions	38
Supplementary Information	
Combining and Individual Fund Financial Statement and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	39
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	40

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Burton Fire District
Beaufort, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Burton Fire District (Burton), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of Burton'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Burton, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and historical pension information on pages 3-9 and 34-38 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 Burton's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements are 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 December 14, 2018, on our consideration of Burton'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 Burton's internal control over financial reporting and compliance.



Beaufort, South Carolina
December 14, 2018

Burton Fire District

Management's Discussion and Analysis

As management of Burton Fire District (Burton), we offer readers of Burton's financial statements this narrative overview and analysis of the financial activities of Burton for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets and deferred outflows of Burton exceed its liabilities and deferred inflows at the close of the most recent fiscal year by \$92,198 (net position). Of this amount, \$387,167 (restricted net position) represents cash held by Beaufort County for debt service payment, impact fees, and one percent fees. Another \$3,600,019 represents the investment in capital assets less depreciation and debt on those assets. The remaining deficit of \$(3,894,988) represents unrestricted net position. Burton's total net position decreased by \$358,819.
- As of the close of the current fiscal year Burton's governmental funds reported a combined ending fund balance of \$1,530,633, a decrease of \$156,581.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Burton's basic financial statements. Burton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how Burton's net position changed during the most recent fiscal year. Changes in net position are reported on a full accrual basis, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of Burton that are supported by general revenues such as taxes and fees. The governmental activities of Burton include programs related to public safety for fire protection. Burton currently has no business type activities.

The government-wide financial statements can be found on pages 10 through 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been grouped for specific activities. Burton like other public agencies uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the programs of Burton can be divided into governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Burton's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the two for similar activities and programs. 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 assist in this comparison of governmental programs and governmental activities.

Burton maintains four individual governmental funds. Information is presented by expenditure category in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, the impact fee fund, and the one percent fund.

Burton adopts an annual budget for the general fund and the debt service fund. A statement comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

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 on pages 16 through 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents a report on compliance and on internal control over financial reporting.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Burton Fire District, assets and deferred outflows exceeded liabilities and deferred inflows by \$92,198 and \$451,017 for 2018 and 2017, respectively. The following table reflects the condensed government-wide statement of net position.

BURTON FIRE DISTRICT NET POSITION		
	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 1,791,950	\$ 1,964,538
Capital Assets	4,586,855	4,872,064
Total Assets	<u>6,378,805</u>	<u>6,836,602</u>
Deferred Outflows of Resources	<u>1,549,483</u>	<u>1,497,849</u>
Current Liabilities	154,099	149,200
Noncurrent Liabilities	7,416,409	7,671,983
Total Liabilities	<u>7,570,508</u>	<u>7,821,183</u>
Deferred Inflows of Resources	<u>265,582</u>	<u>62,251</u>
Net Position		
Net Investment in Capital Assets	3,600,019	3,489,126
Restricted for Debt Service Fund	264,062	271,923
Restricted for Impact Fund	101,900	65,929
Restricted for One Percent Fund	21,205	20,064
Unrestricted	<u>(3,894,988)</u>	<u>(3,396,025)</u>
Total Net Position	<u>\$ 92,198</u>	<u>\$ 451,017</u>

The portion of Burton's net position \$3,600,019 reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Burton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2018, Burton had outstanding long-term obligations of \$7,416,409 that being the general obligation debt and notes payable used to build stations and purchase vehicles, compensated absences, and the net pension liability. The \$387,167 represents the assets restricted for payment of debt, one percent fund for recruitment and retention, and impact fees. The remaining net deficit of \$(3,894,988) is unrestricted.

At the end of the current fiscal year, Burton Fire District is able to report positive balances in all funds.

Governmental activities. Burton's total net position decreased by \$358,819 for the year ended June 30, 2018 and \$408,183 for the year ended June 30, 2017. Key elements of these changes are shown in the following table.

BURTON FIRE DISTRICT CHANGE IN NET POSITION

	Governmental Activities	
	2018	2017
Expenses		
Public Safety - Fire Protection		
Personnel	\$ 4,904,626	\$ 4,916,902
Administration	229,111	216,105
Utilities	56,849	47,837
Maintenance	313,424	303,146
Training	42,591	29,821
Depreciation	290,934	293,087
Interest	52,959	64,038
Total Expenses	<u>5,890,494</u>	<u>5,870,936</u>
General Revenues		
Taxes	4,941,859	4,806,477
Automatic Aid Agreements	458,601	425,974
Fees	87,279	77,553
Interest Income	3,215	3,108
Grants	33,746	134,985
Miscellaneous	6,975	14,656
Total General Revenues	<u>5,531,675</u>	<u>5,462,753</u>
Change in net position	(358,819)	(408,183)
Net position - beginning	451,017	859,200
Net position - ending	<u>\$ 92,198</u>	<u>\$ 451,017</u>

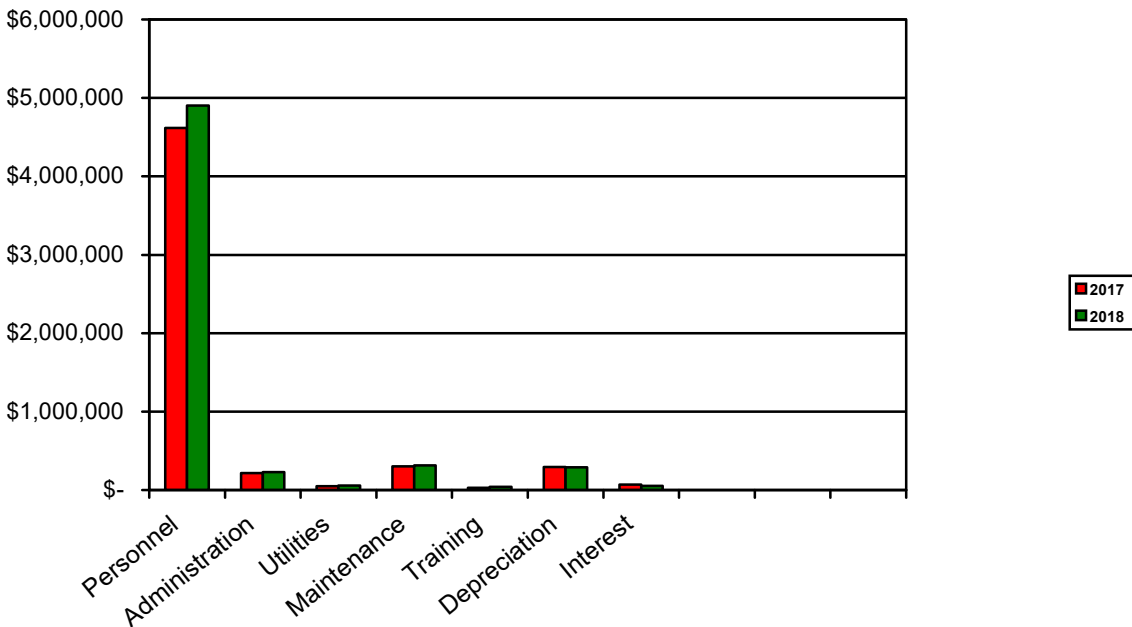
Training expenses increased by almost \$13,000, which was a result of an increase of training and tuition fees of \$9,000 and an increase of meals and lodging for training purposes of \$4,000.

The Automatic Aid Agreements were negotiated to provide additional revenues to Burton for servicing areas within the boundaries of the Town of Port Royal and the City of Beaufort.

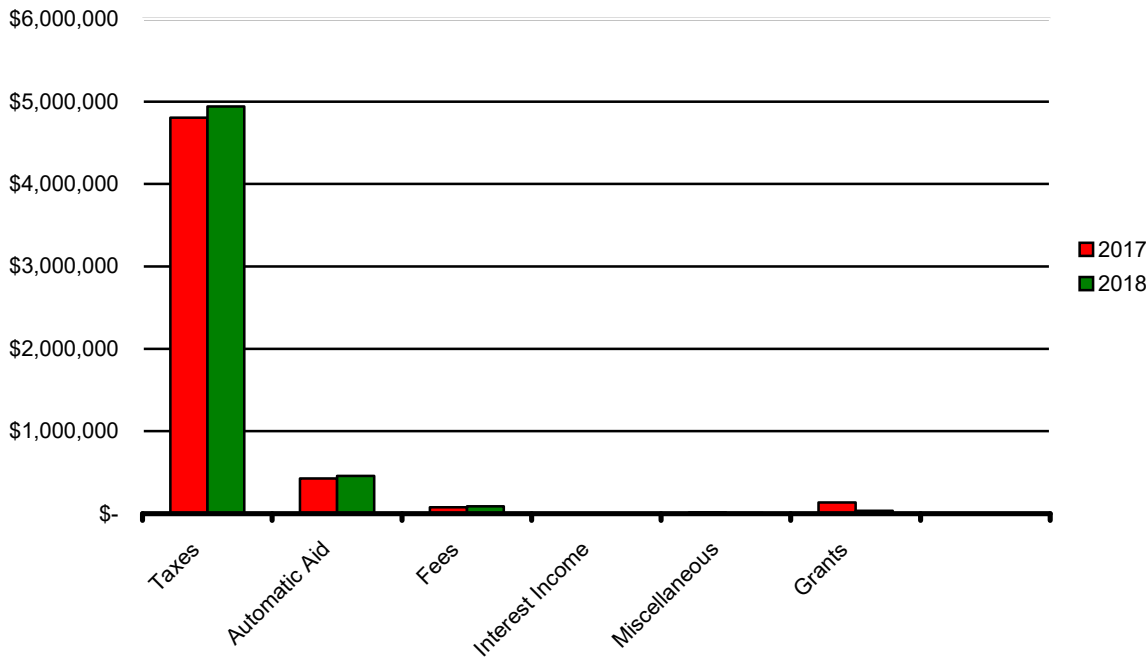
Tax revenue is up from the prior year due to the increase in millage for operations from 62.42 mills to 64.53 mills and growth of the District.

FEMA reimbursements of \$134,985 for Hurricane Matthew were received in the prior year. Burton received \$33,746 in reimbursements for Hurricane Matthew in the current year.

Expenses – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Burton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Burton's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Burton's governmental funds reported combined ending fund balances of \$1,530,633, a decrease of \$156,581. The major governmental funds consist of the general fund, the debt service fund, the impact fund, and the one percent fund. This decrease can be attributed to a decrease in the general fund of \$185,832, an increase in the impact fund of \$35,971 and a decrease in the debt service fund of \$7,861. The one percent fund increased \$1,141.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned general fund balance of \$1,143,466 is equal to 22% of the total general fund expenditures of \$5,280,075.

Capital Assets and Debt Administration

Capital Assets. Burton's investment in capital assets for its governmental type activities as of June 30, 2018 amounts to \$4,586,855 (net of accumulated depreciation) and as of June 30, 2017 amounts to \$4,872,064 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, construction in progress, and vehicles. There was one addition to capital assets, under equipment, during the fiscal year for \$5,725. Depreciation expense was \$290,934 for the 2018 year as compared to \$293,087 for the 2017 year.

BURTON FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities	
	2018	2017
Land and Improvements	\$ 263,686	\$ 263,686
Buildings and Improvements	1,474,509	1,519,216
Furniture and Equipment	197,848	223,830
Vehicles	2,650,812	2,865,332
Total	<u>\$ 4,586,855</u>	<u>\$ 4,872,064</u>

Long-term obligations. At the end of the current fiscal year, Burton had long-term obligations in the amount of \$7,416,409 for June 30, 2018 and \$7,671,983 for June 30, 2017. The debt was attributable to compensated absences, bonds, notes payable and net pension liability. Bonds and notes payable were taken out for the purpose of financing fire stations, fire equipment, and various vehicles. Long-term obligations consisted of the following:

BURTON FIRE DISTRICT LONG-TERM OBLIGATIONS OUTSTANDING			
	Governmental Activities		
	2018	2017	
Compensated Absences	\$ 283,999	\$ 262,823	
General Obligation Bonds	81,299	106,832	
Notes Payable	905,237	1,276,106	
Net Pension Liability	6,145,874	6,026,222	
Total	<u>\$ 7,416,409</u>	<u>\$ 7,671,983</u>	

Economic Factors and Next Year's Budgets

The 2018-2019 approved operations budget of \$5,667,981 is to be funded with a tax levy of 68.82 mills. The debt service fund budget of \$385,268 will be funded with a tax levy of 5.15 mills.

Requests for information

This financial report is designed to provide a general overview of Burton Fire District finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief, Burton Fire District, 36 Burton Hill Road, Beaufort, South Carolina, 29906.

BASIC FINANCIAL STATEMENTS

**BURTON FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	
Cash	\$ 1,085,775
Accounts Receivable	243,214
Due from Beaufort County	462,961
Capital Assets, Not Being Depreciated	263,686
Capital Assets, Being Depreciated	4,323,169
Total Assets	6,378,805
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	1,549,483
Total Deferred Outflows of Resources	1,549,483
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
	\$ 7,928,288
 LIABILITIES	
Current Liabilities	
Accounts Payable	2,894
Payroll Liabilities	128,692
Interest Payable	22,513
Total Current Liabilities	154,099
Noncurrent Liabilities	
Due Within One Year	296,756
Due in More than a Year	
Debt	973,779
Net Pension Liability	6,145,874
Total Noncurrent Liabilities	7,416,409
Total Liabilities	7,570,508
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	265,582
Total Deferred Inflows of Resources	265,582
 NET POSITION	
Net Investment in Capital Assets	3,600,019
Restricted for Debt Service Fund	264,062
Restricted for Impact Fund	101,900
Restricted for One Percent Fund	21,205
Unrestricted	(3,894,988)
Total Net Position	92,198
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
	\$ 7,928,288

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

EXPENSES

Public Safety - Fire Protection	
Personnel	\$ 4,904,626
Administration	229,111
Utilities	56,849
Maintenance	313,424
Training	42,591
Depreciation	290,934
Interest	52,959
Total Program Expenses	<u>5,890,494</u>

GENERAL REVENUES

Taxes	4,941,859
Grants	33,746
Automatic Aid Agreements	458,601
Fees	87,279
Interest Income	3,215
Miscellaneous	6,975
Total General Revenues	<u>5,531,675</u>
 Change in Net Position	 (358,819)
 Net Position, Beginning of Year	 <u>451,017</u>
Net Position, End of year	<u><u>\$ 92,198</u></u>

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	DEBT SERVICE FUND	IMPACT FUND	ONE PERCENT FUND	
ASSETS					
Cash	\$ 1,085,775	\$ -	\$ -	\$ -	\$ 1,085,775
Accounts Receivable	227,438	15,776	-	-	243,214
Due from Beaufort County	81,799	258,057	101,900	21,205	462,961
Total Assets	<u>\$ 1,395,012</u>	<u>\$ 273,833</u>	<u>\$ 101,900</u>	<u>\$ 21,205</u>	<u>\$ 1,791,950</u>
LIABILITIES					
Accounts Payable	\$ 2,894	\$ -	\$ -	\$ -	\$ 2,894
Payroll Liabilities	128,692	-	-	-	128,692
Total Liabilities	<u>131,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,586</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues-Property Taxes	119,960	9,771	-	-	129,731
Total Deferred Inflows of Resources	<u>119,960</u>	<u>9,771</u>	<u>-</u>	<u>-</u>	<u>129,731</u>
FUND BALANCES					
Unassigned	1,143,466	-	-	-	1,143,466
Restricted	-	264,062	101,900	21,205	387,167
Total Fund Balances	<u>1,143,466</u>	<u>264,062</u>	<u>101,900</u>	<u>21,205</u>	<u>1,530,633</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,395,012</u>	<u>\$ 273,833</u>	<u>\$ 101,900</u>	<u>\$ 21,205</u>	<u>\$ 1,791,950</u>

**BURTON FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds		\$ 1,530,633
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Capital assets used in District's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and Improvements	\$ 263,686	
Buildings and Improvements, net of \$803,247 accumulated depreciation	1,474,509	
Furniture and Equipment, net of \$269,111 accumulated depreciation	197,848	
Vehicles, net of \$1,921,343 accumulated depreciation	<u>2,650,812</u>	
Total Capital Assets		4,586,855

Deferred outflows and inflows of resources represents amounts applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources:		1,549,483
Related to pensions		
Deferred inflows of resources:		
Related to pensions	<u>(265,582)</u>	
Total deferred outflows and inflows of resources		1,283,901

Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.

129,731

Long-term liabilities applicable to the District's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position.

Balances at June 30, 2018 are:

Interest Payable	(22,513)	
Accrued Vacation	(283,999)	
Net Pension Liability	(6,145,874)	
Bonds and Notes Payable	<u>(986,536)</u>	
Total Long-Term Liabilities		<u>(7,438,922)</u>

Total net position of governmental activities

\$ 92,198

The notes to the financial statements are an integral part of this statement.

BURTON FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL	DEBT SERVICE	IMPACT FUND	ONE PERCENT FUND	
REVENUES					
Taxes	\$ 4,591,706	\$ 377,418	\$ -	\$ -	\$ 4,969,124
Grants	33,746	-	-	-	33,746
Automatic Aid Agreements	458,601	-	-	-	458,601
Fees	-	-	35,971	51,308	87,279
Interest Income	3,215	-	-	-	3,215
Insurance Proceeds	6,975	-	-	-	6,975
Total Revenues	<u>5,094,243</u>	<u>377,418</u>	<u>35,971</u>	<u>51,308</u>	<u>5,558,940</u>
EXPENDITURES					
Public Safety - Fire Protection					
Personnel	4,572,101	-	-	40,000	4,612,101
Administration	218,944	-	-	10,167	229,111
Utilities	56,849	-	-	-	56,849
Maintenance	313,424	-	-	-	313,424
Training	42,591	-	-	-	42,591
Capital Outlay	5,725	-	-	-	5,725
Debt Service					
Principal	70,441	325,961	-	-	396,402
Interest	-	59,318	-	-	59,318
Total Expenditures	<u>5,280,075</u>	<u>385,279</u>	<u>-</u>	<u>50,167</u>	<u>5,715,521</u>
Net Change in Fund Balances	(185,832)	(7,861)	35,971	1,141	(156,581)
Fund Balances, Beginning of Year	<u>1,329,298</u>	<u>271,923</u>	<u>65,929</u>	<u>20,064</u>	<u>1,687,214</u>
Fund Balances, End of year	<u>\$ 1,143,466</u>	<u>\$ 264,062</u>	<u>\$ 101,900</u>	<u>\$ 21,205</u>	<u>\$ 1,530,633</u>

14

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds \$ (156,581)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$5,725) was less than depreciation (\$290,934) in the current period. (285,209)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 396,402

Revenues in the fund statements that do not provide current financial resources are reported as revenues in the statements of activities.
Taxes (27,265)

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.
Pension contributions \$ (751,862)
Cost of benefits earned net of employee contributions 480,513
Net change in pension contributions (271,349)

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 governmental funds.
Compensated Absences (21,176)
Interest Expense 6,359
Net change in expenses (14,817)

Total change in net position of governmental activities \$ (358,819)

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

Burton was organized by the General Assembly of the State of South Carolina on February 15, 1973 for the purpose of providing fire protection to the residents of the Burton area of Beaufort County, South Carolina. Burton is an autonomous government whose appointed board controls its operations and fiscal accountability. Burton is a separate reporting entity and is not a component unit of any other governmental entity. Beaufort County is a related party in that the Beaufort County Council has final approval of the budget, assesses millage, collects taxes and prepares payroll for Burton.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by Burton. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Burton is not reporting any component units as described above.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Burton reports only governmental activities, as there are no business-type activities or component units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about Burton funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Burton reports the following major governmental funds:

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

The *debt service fund* represents Burton's collection and payment of the general obligation bond. It accounts for all financial resources that are restricted for debt payment.

The *impact fund* represents Burton's collection of impact fees from developers within that district. It accounts for all financial resources that are restricted for capital assets.

The *1% fee fund* contains funds collected from insurance companies and made available to Burton for certain specific purposes. Those purposes include retirement and insurance, training and education, and recruitment and retention.

Burton does not report any proprietary or fiduciary funds at the present time.

During the course of operations Burton has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts and allocated to the various programs as indirect cost allocations. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are presented 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.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The 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, Burton 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the debt service fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g. grant awards and enabling legislation) and sometimes span a period of more than one fiscal year.

The appropriated budget between accounts is prepared by fund. Burton may make transfers within a department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Supplemental budgetary appropriations throughout the year require the approval of the Beaufort County Council. There were no supplemental budgetary appropriations during the year.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services (i.e., purchase order, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash and Cash Equivalents

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

Inventories and Prepaid Items

Inventories of the general fund consist of supplies held for consumption and are immaterial to the financial statements and accordingly are not recorded.

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.

Capital Assets

Capital assets, which include buildings, equipment, and vehicles, are reported in the unrestricted net assets on the statement of financial position. Capital assets are defined by Burton as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Improvements	5 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 25 years

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 (expenses/expenditures) until then. Burton Fire District reported deferred outflows in the statement of net position related to its pension liability.

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 (revenues) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue for property taxes, is reported only in the governmental funds balance sheet. Burton Fire District reported deferred inflows in the statement of net position related to its pension liability.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position Flow Assumptions

Sometimes Burton will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. It is Burton's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes Burton will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. It is Burton's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific resources. Burton itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Burton's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for Burton that can, by vote prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another policy) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by Burton for specific purposes but do not meet the criteria to be classified as committed. Beaufort County Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The County Ordinance provides for the taxation of all real and personal property located within Burton limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the County after September of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for tax year 2017 is 64.53 mills for operations and 5.26 mills for debt service.

NOTE 2 DEPOSITS AND INVESTMENTS

South Carolina statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and South Carolina government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits but do allow the pooling of governmental funds for investment purposes.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Burton does not have a deposit policy for custodial credit risk. All of Burton’s deposits at year end were covered by federal depository insurance or by collateral held in pledging financial institution’s trust department in the Town’s name. Therefore, none of Burton’s deposits were exposed to custodial credit risk at June 30, 2018.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 were as follows:

	Fund Statements	Government- wide Statements
Taxes Receivable	\$ 243,214	\$ 243,214
Total Accounts Receivable	\$ 243,214	\$ 243,214

The fund statements include deferred inflows of resources of \$129,731 that represents the property taxes not collected within the sixty-day receivable recognition period.

NOTE 4 DUE FROM BEAUFORT COUNTY

The amount due from Beaufort County represents cash held by the County Treasurer in a pooled account. These deposits were entirely covered by federal deposit insurance or by collateral held by the financial institution in the County’s name.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 PROPERTY AND EQUIPMENT

A summary of changes in the Burton's property and equipment is as follows:

<u>Governmental Activities</u>	<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Capital assets not being depreciated				
Land and improvements	\$ 263,686	\$ -	\$ -	\$ 263,686
Total capital assets, not being depreciated	<u>263,686</u>	<u>-</u>	<u>-</u>	<u>263,686</u>
Capital assets being depreciated				
Buildings and improvements	2,277,756	-	-	2,277,756
Furniture and equipment	461,234	5,725	-	466,959
Vehicles	4,572,155	-	-	4,572,155
Total capital assets, being depreciated	<u>7,311,145</u>	<u>5,725</u>	<u>-</u>	<u>7,316,870</u>
Less accumulated depreciation for:				
Buildings and improvements	758,540	44,707	-	803,247
Furniture and equipment	237,404	31,707	-	269,111
Vehicles	1,706,823	214,520	-	1,921,343
Total accumulated depreciation	<u>2,702,767</u>	<u>290,934</u>	<u>-</u>	<u>2,993,701</u>
Total capital assets being depreciated, net	<u>4,608,378</u>	<u>(285,209)</u>	<u>-</u>	<u>4,323,169</u>
Governmental activities capital assets, net	<u>\$ 4,872,064</u>	<u>\$ (285,209)</u>	<u>\$ -</u>	<u>\$ 4,586,855</u>

Depreciation expense was \$290,934 for the year ended June 30, 2018. This amount was allocated to the functional departments as follows:

Governmental Activities

Public Safety Fire Protection	<u>\$ 290,934</u>
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NOTE 6 LONG-TERM OBLIGATIONS

A schedule of changes on long-term indebtedness follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>One Year</u>
General Obligation Bonds	\$ 106,832	\$ -	\$ 25,533	\$ 81,299	\$ 26,495
Notes Payable	1,276,106	-	370,869	905,237	199,261
Accrued Compensated Absences	262,823	21,176	-	283,999	71,000
Total	<u>\$ 1,645,761</u>	<u>\$ 21,176</u>	<u>\$ 396,402</u>	<u>\$ 1,270,535</u>	<u>\$ 296,756</u>

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS - CONTINUED

A summary of long-term debt is as follows:

	Balance
<u>General Obligation Bonds</u>	
\$428,000 General Obligation Bond Series B is repayable in annual payments of \$32,576 over a forty-year term including interest at 7.125%.	\$ 81,299
Total General Obligation Bonds	\$ 81,299

Approximate maturities of general obligation debt are as follows:

Year ended June 30,	Principal	Interest	Total
2019	\$ 26,495	\$ 6,081	\$ 32,576
2020	28,382	4,194	32,576
2021	26,422	6,154	32,576
	\$ 81,299	\$ 16,429	\$ 97,728

Rural Development loan agreements require an amount equal to one annual payment be held in an escrow account until the loan is paid off. The Burton Fire District has a “fund balance” that is maintained by Beaufort County Treasurer’s Office in a debt service fund. Funds are available to us upon request and must be approved by County Council. These funds qualify as our required “escrow account”. This balance is represented on the balance sheet under the description due from Beaufort County. The amount due from Beaufort County at June 30, 2018 in the debt service fund is \$258,057 which exceeds the annual payment on Rural Development loans of \$32,576.

	Balance
<u>Notes Payable</u>	
\$889,820 bank note payable dated June, 2007 is repayable in annual payments of \$80,066 over an eighteen-year term including interest at 6.00%. Collateralized by real property and improvements at 14 Bruce K. Small Drive, Beaufort, SC.	\$ 445,441
\$715,000 bank note payable dated October, 2002 is repayable in annual payments of \$59,848 over a twenty-year term including interest at 5.50%. Collateralized by a building at the Habersham Station in Beaufort, SC.	132,110
\$280,000 bank note payable dated February 2015 is repayable in annual payments of \$50,000 over a six-year term including interest at 2%. Collateralized by a 2016 Pierce Pumper.	141,159
\$280,000 bank note payable dated June, 2016 is repayable in annual payments of \$50,000 over a six-year term including interest at 2%. Collateralized by a 2016 Pierce Pumper.	186,527
Total Notes Payable	\$ 905,237

Approximate maturities of notes payable for the next five fiscal years and thereafter are as follows:

Year ended June 30,	Principal	Interest	Total
2019	\$ 199,261	\$ 40,653	\$ 239,914
2020	207,225	32,689	239,914
2021	178,204	24,031	202,235
2022	108,346	17,546	125,892
2023	67,225	12,841	80,066
2024-2025	144,976	15,156	160,132
	\$ 905,237	\$ 142,916	\$ 1,048,153

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS - CONTINUED

Compensated Absences

Unused vacation leave liabilities are reported as incurred in the applicable governmental type activities columns in the government-wide financial statements. Burton employees with at least 6 months of employment can accumulate annual leave from 80 hours to 201 hours per year based on length of service and status for subsequent use for a maximum carryover of 30 to 40 days or 318 to 424 hours. Any amounts accrued in excess of the maximum limits are not carried forward. With sufficient notification of employment termination, unused vacation leave will be paid up to the maximum accrued hours. Sick pay does not vest except upon retirement or death. In the event of retirement or death, payment will be made to the employee or his estate for one-fifth (1/5) of the unused portion of the accumulated sick leave. Such payment for sick leave will not exceed an amount equal to regular salary for a two (2) calendar month period. Therefore, a liability of \$283,999 has been recorded to reflect the accrued vacation leave liability for each eligible employee and includes 23.05% for related payroll costs for taxes and retirement. Compensated absences are paid from the general fund.

Debt Limitation

Burton's general obligation debt is limited by law to eight percent of the total assessed value of all taxable real and personal property of the district. The latest assessed value for tax year 2017 was \$78,648,300. The computation of legal debt limits is as follows:

Assessed value (\$78,648,300 X 8%)	\$	6,291,864
General obligation debt at June 30, 2018		(81,299)
Excess of debt limit over general obligation debt	\$	6,210,565

Operating Leases

Burton has operating leases on its office equipment that vary in length. It is anticipated that these leases will be renewed or continued on a monthly basis. These amounts are immaterial to the financial statements.

Pension Plan

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS - 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, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

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

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

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 South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

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.

- 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 at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

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 ninety 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 ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. 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 ninety 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 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates¹ for fiscal year 2018-2017 are as follows:

	<u>Fiscal Year 2018¹</u>	<u>Fiscal Year 2017¹</u>
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
PORS		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required employer contribution rates¹ for fiscal year 2018-2017 are as follows:

	<u>Fiscal Year 2018¹</u>	<u>Fiscal Year 2017¹</u>
SCRS		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Accidental Death Program	0.20%	0.20%
Employer Incidental Death Benefit	0.20%	0.20%

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

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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 System was most recently issued as of July 1, 2015.

The June 30, 2017 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administrative Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30 2017.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

¹ includes inflation at 2.25%

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

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
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%

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – 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, 2017, for SCRS and PORS are presented as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
SCRS	\$ 424,069	\$ 226,192	\$ 197,877	53.3%
PORS	\$ 15,227,546	\$ 9,279,549	\$ 5,947,997	60.9%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 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 30-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 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 by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credits	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ 255,036	\$ 197,877	\$ 163,195
PORS	\$ 8,030,743	\$ 5,947,997	\$ 4,307,202

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2017, are presented below:

Description	SCRS	PORS
Service cost (annual cost of current service)	\$ 7,068	\$ 361,884
Interest on the total pension liability	29,166	1,027,058
Changes in plan benefits	-	-
Plan administrative costs	118	4,666
Plan member contributions	(7,265)	(277,554)
Expected return on plan assets	(15,472)	(626,437)
Recognition of current year amortization - Difference between expected and actual experience & assumption changes	5,219	198,507
Recognition of current year amortization - Difference between projected and actual investment earnings	1,209	49,093
Other	14	(2,756)
Total	\$ 20,057	\$ 734,461

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.

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

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, 2017.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>SCRS</u>	<u>PORS</u>	<u>SCRS</u>	<u>PORS</u>
Difference between expected and actual experience	\$ 882	\$ 53,039	\$ 110	\$ -
Assumption changes	11,584	564,520	-	-
Net difference between projected and actual earnings	5,524	211,952	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,045	216,424	6,113	259,359
Contributions subsequent to the measurement date	12,672	467,841	-	-
Total	<u>\$ 35,707</u>	<u>\$ 1,513,776</u>	<u>\$ 6,223</u>	<u>\$ 259,359</u>

Difference between expected and actual experience

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Balance	\$ 772	\$ 53,039	\$ 53,811
Amortization period¹	4.15	4.72	4.44
Amortized² period ending June 30,			
2018	\$ (527)	\$ (35,482)	\$ (36,009)
2019	\$ (218)	\$ (10,235)	(10,453)
2020	\$ (20)	\$ (5,990)	(6,010)
2021	\$ (7)	\$ (1,332)	(1,339)

Assumption Changes

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Initial Balance	\$ 11,584	\$ 564,520	\$ 576,104
Amortization period³	4.15	4.72	4.44
Amortized² period ending June 30,			
2018	\$ (3,769)	\$ (158,882)	\$ (162,651)
2019	\$ (3,769)	\$ (158,882)	(162,651)
2020	\$ (3,769)	\$ (158,882)	(162,651)
2021	\$ (277)	\$ (87,874)	(88,151)

Difference between projected and actual investment earnings

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Initial Balance	\$ 5,524	\$ 211,952	\$ 217,476
Amortization period³	5	5	5
Amortized² period ending June 30,			
2018	\$ (1,208)	\$ (49,093)	\$ (50,301)
2019	\$ (4,398)	\$ (169,325)	(173,723)
2020	\$ (1,727)	\$ (66,207)	(67,934)
2021	\$ 1,809	\$ 72,673	74,482

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

¹In 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.

²Amount amortized and included in pension expense during the measurement period listed.

³In 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.

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 Contributions

Employers' proportionate shares were calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2017. 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 toward the purchase of employee service purchases and employer contributions paid by employees.

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

	<u>SCRS</u>	<u>PORS</u>
Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2017	\$ 10,274	\$ 416,864
Deduct: Employer Contributions Not Representative of Future Contribution Effort	<u>(16)</u>	<u>(511)</u>
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2017 Measurement Date	<u>\$ 10,258</u>	<u>\$ 416,353</u>

**BURTON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. 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.

The Fire District also provides employees and volunteers with a length of service awards program, under Section 457 of the Internal Revenue Code of 1986, initiated and administered by members and representatives of the 1% Fund Committee. Money is set aside in the Burton Fire District One Percent Retirement Plan and Trust, as determined each year by the Managing Committee. To participate, an employee must be age 18, and must be (1) an active Volunteer Firefighter; (2) an active Paid Firefighter; or (3) a full time paid employee. The balance of the account at June 30, 2018 is \$421,328 for both active and volunteer participants. Contributions of \$30,000 were made during the year ended June 30, 2018.

Payables to the Pension Plan

At June 30, 2018, the Town reported payables of \$0 that represents the amount due for the month of June.

NOTE 7 RISK MANAGEMENT

Burton purchases insurance policies divided into coverage of worker's compensation and property and casualty from an insurance carrier. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy in accordance with insurance policy and benefit program limits.

Burton has recorded insurance premium expenditures in the applicable functional expenditure categories of the general fund. These expenditures do not include estimated claim losses and estimable premium adjustments.

There have not been any significant reductions in insurance coverage from the prior year.

NOTE 8 COMMITMENTS AND CONTINGENCIES

In the normal course of business, Burton can be subject to various claims for worker's compensation and other accidents. It is the opinion of Burton that resolution of these matters will not have a materially adverse effect on the financial condition of Burton.

NOTE 9 SUBSEQUENT EVENTS

Burton Fire District has assessed subsequent events through the date financial statements were available for release.

Burton Fire District received a judgement from the court in the civil case with the City of Beaufort and the Town of Port Royal for \$270,076 in October 2016, which the City of Beaufort and the Town of Port Royal appealed. At the time, the attorneys stated it could take up to 18 months for a decision. As of the release date of these financials, the matter is still pending with the South Carolina Court of Appeals.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BURTON FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
	BUDGET	BUDGET		
REVENUES				
Taxes	\$ 4,680,442	\$ 4,680,442	\$ 4,591,706	\$ (88,736)
Automatic Aid Agreements	430,000	430,000	458,601	28,601
Grants	-	-	33,746	33,746
Interest Income	-	-	3,215	3,215
Miscellaneous	-	-	6,975	6,975
Total Revenues	<u>5,110,442</u>	<u>5,110,442</u>	<u>5,094,243</u>	<u>(16,199)</u>
EXPENDITURES				
Public Safety - Fire Protection				
<u>Personnel</u>				
Salaries	3,023,256	3,023,256	2,860,266	162,990
Overtime	70,000	70,000	116,438	(46,438)
Retirement	502,345	502,345	439,921	62,424
Insurance Police Group Life	12,373	12,373	11,624	749
Insurance Medical	800,000	800,000	785,831	14,169
Workmans Compensation	160,000	160,000	142,219	17,781
Medicare Payroll Taxes	44,852	44,852	40,336	4,516
Social Security Payroll Taxes	191,782	191,782	172,473	19,309
Unemployment Taxes	1,000	1,000	2,993	(1,993)
Total Personnel	<u>4,805,608</u>	<u>4,805,608</u>	<u>4,572,101</u>	<u>233,507</u>
<u>Administration</u>				
Printing	1,000	1,000	41	959
Postage	1,400	1,400	834	566
Telephone	9,500	9,500	21,941	(12,441)
Internet and Cable	38,000	38,000	39,057	(1,057)
Office Supplies	4,500	4,500	9,091	(4,591)
Uniforms	20,000	20,000	23,131	(3,131)
Accounting and Audit	10,000	10,000	8,500	1,500
Dues and Subscriptions	3,000	3,000	4,246	(1,246)
Insurance Liability	84,000	84,000	69,921	14,079
Hurricane	2,500	2,500	2,750	(250)
Fire Prevention	7,500	7,500	5,452	2,048
Fire Inspections	3,000	3,000	667	2,333
Legal Fees	2,000	2,000	-	2,000
Arson K9	4,000	4,000	1,419	2,581
Miscellaneous Administration	10,500	10,500	10,688	(188)
Vaccinations and Physicals	19,000	19,000	21,206	(2,206)
Total Administration	<u>\$ 219,900</u>	<u>\$ 219,900</u>	<u>\$ 218,944</u>	<u>\$ 956</u>

BURTON FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>Utilities</u>				
Electricity	\$ 39,000	\$ 39,000	\$ 36,593	\$ 2,407
Water	3,500	3,500	3,277	223
LP and Natural Gas	6,000	6,000	11,727	(5,727)
Garbage Pick-up	4,500	4,500	5,252	(752)
Total Utilities	53,000	53,000	56,849	(3,849)
<u>Maintenance</u>				
Communications	11,000	11,000	5,977	5,023
Fire Extinguishers	750	750	640	110
Breathing Apparatus	10,000	10,000	6,015	3,985
Office Equipment	8,000	8,000	1,621	6,379
Building	30,000	30,000	42,847	(12,847)
Service Contracts	-	-	6,985	(6,985)
Cleaning Supplies	10,000	10,000	5,279	4,721
Rescue Equipment	6,000	6,000	7,251	(1,251)
First Responder	16,000	16,000	25,022	(9,022)
Vehicle	70,000	70,000	94,035	(24,035)
Fuel	50,000	50,000	41,772	8,228
Firefighting Gear Supplies	14,000	109,000	70,071	38,929
Firefighting Foam	5,000	5,000	5,909	(909)
Total Maintenance	230,750	325,750	313,424	12,326
<u>Training</u>				
Meals and Lodging	10,500	10,500	11,508	(1,008)
Training and Tuition	30,000	30,000	29,935	65
Travel Expenses	4,500	4,500	1,148	3,352
Total Training	45,000	45,000	42,591	2,409
<u>Capital Outlay</u>				
Buildings	50,000	50,000	-	50,000
Furniture & Fixtures	11,000	11,000	-	11,000
Firefighting Equipment	128,800	33,800	-	33,800
Vehicles	5,000	5,000	5,725	(725)
Total Capital Outlay	194,800	99,800	5,725	94,075
<u>Debt Service</u>				
Principal Retirement	-	-	70,441	(70,441)
Total Debt Service	\$ -	\$ -	\$ 70,441	\$ (70,441)

**BURTON FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Total Expenditures	\$ 5,549,058	\$ 5,549,058	\$ 5,280,075	\$ 268,983
Net Change in Fund Balances	(438,616)	(438,616)	(185,832)	252,784
Fund Balances, Beginning of year	1,329,298	1,329,298	1,329,298	-
Fund Balances, End of year	\$ 890,682	\$ 890,682	\$ 1,143,466	\$ 252,784

**BURTON FIRE DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

SCRS

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Portion of the Net Pension Liability	NA	NA	NA	NA	NA	NA	0.000886%	0.000858%	0.000911%	0.000879%
Proportionate Share of the Net Pension Liability	NA	NA	NA	NA	NA	NA	\$ 152,540	\$ 162,724	\$ 194,588	\$ 197,877
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	\$ 80,434	\$ 80,434	\$ 88,254	\$ 88,734
Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	189.65%	202.31%	220.49%	223.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	NA	NA	NA	NA	NA	NA	59.90%	57.00%	52.90%	53.30%

PORS

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Portion of the Net Pension Liability	NA	NA	NA	NA	NA	NA	0.21683%	0.21197%	0.22991%	0.21711%
Proportionate Share of the Net Pension Liability	NA	NA	NA	NA	NA	NA	\$ 4,150,957	\$ 4,619,900	\$ 5,831,634	\$ 5,947,997
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	\$ 2,607,858	\$ 2,624,451	\$ 2,931,052	\$ 2,923,829
Proportionate Share of the New Pension Liability as a Percentage of Its Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	159.17%	176.03%	198.96%	203.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	NA	NA	NA	NA	NA	NA	67.50%	64.60%	60.40%	60.90%

**BURTON FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

SCRS

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually Required Contribution	NA	NA	NA	NA	NA	NA	\$ 8,763	\$ 9,760	\$ 10,258	\$ 12,672
Contributions in Relation to the Contractually Required Contribution	NA	NA	NA	NA	NA	NA	\$ 8,763	\$ 9,760	\$ 10,258	\$ 12,672
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	\$ 80,434	\$ 88,254	\$ 88,734	\$ 93,454
Contributions as a Percentage of Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	10.90%	11.06%	11.56%	13.56%

PORS

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually Required Contribution	NA	NA	NA	NA	NA	NA	\$ 351,939	\$ 402,724	\$ 416,353	\$ 467,841
Contributions in Relation to the Contractually Required Contribution	NA	NA	NA	NA	NA	NA	\$ 351,939	\$ 402,724	\$ 416,353	\$ 467,841
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	\$ 2,624,451	\$ 2,931,052	\$ 2,923,829	\$ 2,880,790
Contributions as a Percentage of Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	13.41%	13.74%	14.24%	16.24%

**SUPPLEMENTARY
INFORMATION**

**BURTON FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	DEBT SERVICE FUND		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 385,268	\$ 377,418	\$ (7,850)
Total Revenues	<u>385,268</u>	<u>377,418</u>	<u>(7,850)</u>
EXPENDITURES			
Public Safety - Fire Protection			
Debt Service			
Principal	330,000	325,961	4,039
Interest	<u>55,268</u>	<u>59,318</u>	<u>(4,050)</u>
Total Expenditures	<u>385,268</u>	<u>385,279</u>	<u>(11)</u>
Net Change in Fund Balances	-	(7,861)	(7,861)
Fund Balances, Beginning of year	271,923	271,923	-
Fund Balances, End of year	<u>\$ 271,923</u>	<u>\$ 264,062</u>	<u>\$ (7,861)</u>

COMPLIANCE SECTION



Richard D. Crowley, CPA, CVA
Lisa T. Wechsler, CPA, CFE
Mark Smolinski, CPA

Member:
American Institute of CPAs
South Carolina Association of CPAs

**INDEPENDENT AUDITORS' 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**

To the Board of Commissioners
Burton Fire District
Burton, 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 each major fund of the Burton Fire District (Burton), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Burton's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control over Financial Reporting

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



Crowley Wechsler & Associates LLC
Beaufort, South Carolina
December 14, 2018