

**MURRELLS INLET-GARDEN CITY
FIRE DEPARTMENT**

FINANCIAL STATEMENTS

Year Ended December 31, 2017



MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
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December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Murrells Inlet-Garden City Fire Department
Murrells Inlet, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Murrells Inlet-Garden City Fire Department, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Murrells Inlet-Garden City Fire Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Smith Sapp Bookhout Crumpler & Calliham
A Professional Association of Certified Public Accountants & Consultants

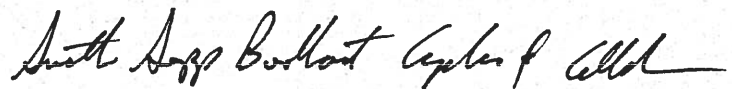
South Carolina Association of Certified Public Accountants
American Institute of Certified Public Accountants - Private Companies Practice Section

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Murrells Inlet-Garden City Fire Department, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 8), pension plan information (pages 32 - 35) and budgetary comparison information (pages 36 - 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.



SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM
Professional Association of Certified Public Accountants

Myrtle Beach, South Carolina
December 14, 2018

**MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017**

Management's discussion and analysis of the Murrells Inlet-Garden City Fire Department's (the Department) financial performance provides an overview of the Department's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Department's financial statements, which begin on page 9.

Financial Highlights

- The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$5,088,840 (net position).
- The Department's total net position decreased by \$172,628, or 3.3%, during the year ended December 31, 2017.
- During the year ended December 31, 2017, the Department's total revenues amounted to \$5,474,488, an increase of 6.7%.
- During the year ended December 31, 2017, the Department's total expenses amounted to \$5,647,116, an increase of 20.8%.
- At December 31, 2017, the Department's governmental funds reported combined fund balances of \$4,323,678, an increase of \$213,155 in comparison to the prior year.
- There was a net increase in the Department's investment in capital assets for the current fiscal year in the amount of \$399,631, or 6.4%.
- At year-end, the Department had \$2,114,288 in outstanding notes payable compared to \$1,615,915 last year, an increase of \$498,373.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 9 - 10) provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Department's operations in more detail than the government-wide statements by providing information about the Department's funds. The fiduciary fund financial statement on page 15 provides financial information about an activity for which the Department acts as an agent on behalf of the Department's firemen. The notes to the financial statements are an integral part of the financial statements and begin on page 16. This report also contains other information in addition to the basic financial statements.

Reporting the Department as a Whole

Our analysis of the Department as a whole begins on page 5. One of the most important questions asked about the Department's finances is, "Is the Department as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Department

as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Department's net position and changes in them. You can think of the Department's net position, which is the difference between assets and liabilities, as one way to measure the Department's financial health, or financial position. Over time, increases or decreases in the Department's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the Department.

In the statement of net position and the statement of activities, the Department's governmental activities include fire department and rescue squad operations. Property taxes, impact fees and charges for services are the primary financing sources for these activities.

Reporting the Department's Funds

Our analysis of the Department's funds begins on page 7. The fund financial statements begin on page 11 and provide detailed information about the funds, not the Department as a whole. The Board of Directors establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money.

The Department's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the "modified accrual basis of accounting", which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Department's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds is presented in a reconciliation following each governmental fund financial statement.

The Department as an Agent

The Department is an agent, or fiduciary, for certain funds held on behalf of the Department's firemen. The fiduciary fund financial statement can be found on page 15 of this report. We exclude this activity from the Department's other financial statements because the Department cannot use these assets to finance its operations. The Department is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

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 begin on page 16.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension plans and budgetary information beginning on page 32.

The Department as a Whole

Condensed statements of net position at December 31, 2017 and 2016 are shown below.

THE DEPARTMENT'S NET POSITION

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 5,041,193	\$ 4,708,530
Capital Assets (Net)	<u>6,630,868</u>	<u>6,231,237</u>
Total Assets	\$ <u>11,672,061</u>	\$ <u>10,939,767</u>
Deferred Outflows of Resources	\$ <u>2,299,497</u>	\$ <u>1,027,429</u>
Long-Term Liabilities	\$ 7,416,598	\$ 5,309,213
Other Liabilities	<u>399,266</u>	<u>285,490</u>
Total Liabilities	\$ <u>7,815,864</u>	\$ <u>5,594,703</u>
Deferred Inflows of Resources	\$ <u>1,066,854</u>	\$ <u>1,111,025</u>
Net Position:		
Net Investment in Capital Assets	\$ 4,516,580	\$ 4,615,322
Restricted	196,711	197,168
Unrestricted	<u>375,549</u>	<u>448,978</u>
Total Net Position	\$ <u>5,088,840</u>	\$ <u>5,261,468</u>

As noted earlier, net position may serve over time as a useful indicator of financial position. The Department's net position at December 31, 2017 was \$5,088,840, a decrease of \$172,628, or 3.3%, from a year ago.

The largest portion of the Department's net position, \$4,516,580 reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Department uses these capital assets to provide services; consequently, the assets are not available for future spending. An additional portion of the Department's net position, \$196,711, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to \$375,549.

Changes in the Department's net position during the years ended December 31, 2017 and 2016 follows.

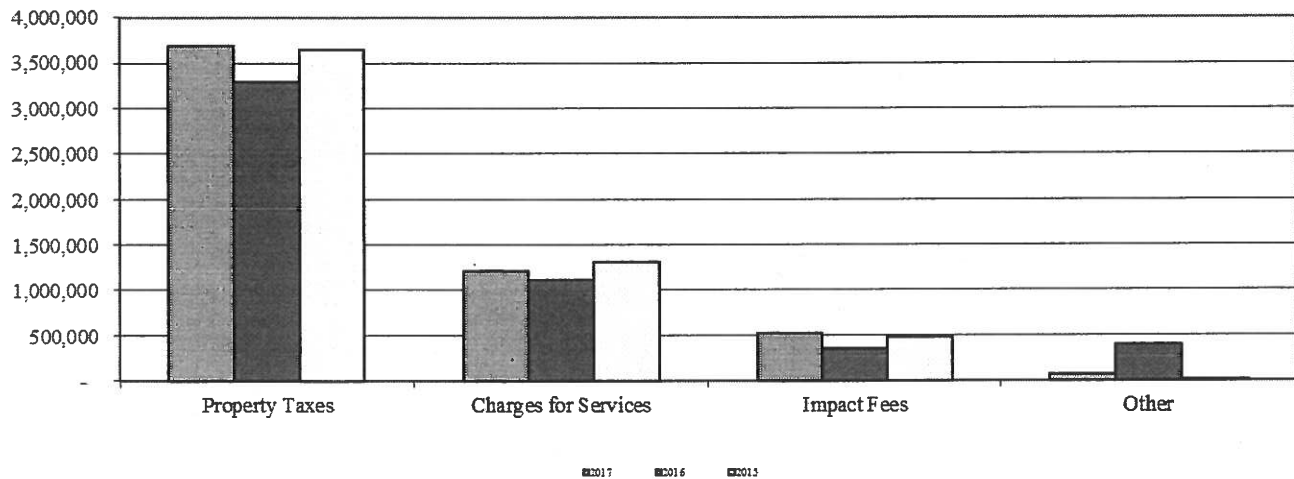
THE DEPARTMENT'S CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,204,900	\$ 1,109,058
Operating Grants and Contributions	50,000	54,667
Capital Grants and Contributions	10,568	324,606
General Revenues:		
Property Taxes	3,686,403	3,293,937
Impact Fees	514,465	344,524
Investment Earnings	<u>8,152</u>	<u>4,662</u>
Total Revenues	\$ <u>5,474,488</u>	\$ <u>5,131,454</u>

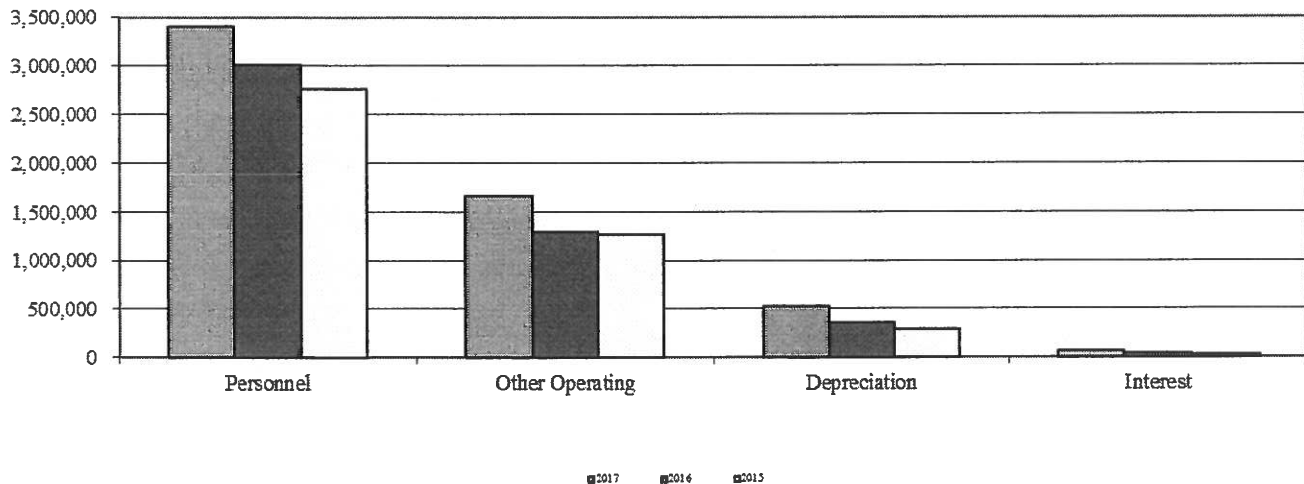
THE DEPARTMENT'S CHANGES IN NET POSITION (continued)

	<u>2017</u>	<u>2016</u>
Expenses:		
Fire Department	\$ 5,134,198	\$ 4,233,244
Rescue Squad	457,055	412,545
Interest Expense	<u>55,863</u>	<u>29,893</u>
Total Expenses	\$ <u>5,647,116</u>	\$ <u>4,675,682</u>
Change in Net Position	\$ (172,628)	\$ 455,772
Total Net Position - Beginning	<u>5,261,468</u>	<u>4,805,696</u>
Total Net Position - Ending	\$ <u>5,088,840</u>	\$ <u>5,261,468</u>

Revenues



Expenses



The Department's revenues increased by 6.7% (\$5,474,488 in 2017 compared to 5,131,454 in 2016) and expenses increased by 20.8% (\$5,647,116 in 2017 compared to \$4,675,682 in 2016). The factors driving these results include:

- Property taxes increased by 11.9% (\$3,686,403 in 2017 compared to \$3,293,937 in 2016).
- Charges for services increased by 8.6% (\$1,204,900 in 2017 compared to \$1,109,058 in 2016).
- Impact fees increased by 49.3% (\$514,465 in 2017 compared to \$344,524 in 2016).
- Personnel expenses increased \$400,951 (\$3,406,976 in 2017 compared to \$3,006,025 in 2016).
- Other operating expenses increased \$375,048 (\$1,664,568 in 2017 compared to \$1,289,520 in 2016).

The Department's Funds

Governmental Funds

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

As of the end of the current fiscal year, the Department's governmental funds reported combined fund balances of \$4,323,678 an increase of \$213,155 in comparison with the prior year. Of this amount, \$4,018,293, or 92.9%, constitutes unassigned fund balance, which is available for spending at the Department's discretion. The remainder of fund balance is either not available for spending or restricted for specific purposes by external constraints.

The General Fund is the chief operating fund of the Department. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,042,560 while the total fund balance amounted to \$4,347,945. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 75.1% of total expenditures, while total fund balance represents 80.8% of that same amount. The General Fund's total fund balance increased by \$228,281 during the current fiscal year.

The Rescue Squad Fund has a total fund balance of \$(24,267), a decrease of \$15,126 from the prior year.

General Fund Budgetary Highlights

The original budget was not amended during the year. Revenues available for appropriation were \$292,609 above the budgeted amounts. The actual charges to appropriations (expenditures) were \$666,073 over the budgeted amounts.

Budget to actual comparisons for the General Fund can be found on page 36.

Capital Asset and Debt Administration

Capital Assets

The Department's investment in capital assets for its governmental activities as of December 31, 2017 amounted to \$6,630,868, net of accumulated depreciation. This amount represents a net increase of \$399,631, or 6.4%, from last year.

Capital assets were comprised of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 974,517	\$ 974,517
Land Improvements	89,678	89,678
Buildings and Improvements	3,890,927	3,880,150
Fire Trucks	4,095,120	3,631,208
Vehicles and Equipment	2,801,698	2,623,111
Accumulated Depreciation	<u>(5,221,072)</u>	<u>(4,967,427)</u>
Capital Assets (Net)	<u>\$ 6,630,868</u>	<u>\$ 6,231,237</u>

More detailed information about the Department's capital assets is presented in Note 5 to the financial statements.

Debt

At year-end, the Department had \$2,114,288 in outstanding notes payable compared to \$1,615,915 last year, an increase of 30.8%. More detailed information about the Department's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Department's Board of Directors considered many factors when setting the 2018 budget. Some of those factors are the economy, population growth rate and inflation rates. These indicators were taken into account when adopting the General Fund budget for 2018. Revenues available for appropriation in the General Fund budget are \$5,043,500, an increase of 6.3% from the 2017 budget of \$4,743,000. Budgeted expenditures are expected to increase 1.4%, from \$4,716,855 in fiscal year 2017 to \$4,780,747 in fiscal year 2018.

Contacting the Department's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department at Post Office Box 648, Murrells Inlet, South Carolina 29576 or phone (843) 651-1101.

BASIC FINANCIAL STATEMENTS

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2017

ASSETS

Cash and Cash Equivalents	\$ 1,745,581
Receivables (Net)	3,010,134
Inventories	34,157
Prepaid Assets	74,517
Restricted Cash and Cash Equivalents	176,804
Land	974,517
Other Capital Assets (Net)	<u>5,656,351</u>
Total Assets	<u>\$ 11,672,061</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions Plans	<u>\$ 2,299,497</u>
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LIABILITIES

Accounts Payable and Accrued Expenses	\$ 374,266
Unearned Revenue	25,000
Noncurrent Liabilities:	
Due Within One Year	382,223
Due in More Than One Year	<u>7,034,375</u>
Total Liabilities	<u>\$ 7,815,864</u>

DEFERRED INFLOWS OF RESOURCES

Related to Pensions Plans	<u>\$ 1,066,854</u>
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NET POSITION

Net Investment in Capital Assets	\$ 4,516,580
Restricted - Impact Fees	196,711
Unrestricted	<u>375,549</u>
Total Net Position	<u><u>\$ 5,088,840</u></u>

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

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Fire Department	\$ 5,134,198	\$ 804,130	\$ 50,000	\$ 10,568	\$ (4,269,500)
Rescue Squad	457,055	400,770			(56,285)
Interest Expense	55,863				(55,863)
Totals	<u>\$ 5,647,116</u>	<u>\$ 1,204,900</u>	<u>\$ 50,000</u>	<u>\$ 10,568</u>	<u>\$ (4,381,648)</u>
General Revenues:					
Property Taxes					\$ 3,686,403
Impact Fees					514,465
Investment Earnings					8,152
Total General Revenues					<u>\$ 4,209,020</u>
Change in Net Position					\$ (172,628)
Total Net Position - Beginning					<u>5,261,468</u>
Total Net Position - Ending					<u>\$ 5,088,840</u>

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

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General Fund	Rescue Squad Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,632,267	\$ 113,314	\$ 1,745,581
Receivables (Net):			
Emergency Medical Services	220,046		220,046
Intergovernmental:			
Restricted	19,907		19,907
Unrestricted	1,429,827		1,429,827
Property Taxes	1,340,054		1,340,054
Other		300	300
Due From Other Fund	137,881		137,881
Inventories	34,157		34,157
Prepaid Assets	74,517		74,517
Restricted Cash and Cash Equivalents	176,804		176,804
Total Assets	<u>\$ 5,065,460</u>	<u>\$ 113,614</u>	<u>\$ 5,179,074</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 327,260	\$	\$ 327,260
Due to Other Fund		137,881	137,881
Unearned Revenue	25,000		25,000
Total Liabilities	<u>\$ 352,260</u>	<u>\$ 137,881</u>	<u>\$ 490,141</u>
Deferred Inflows of Resources:			
Unavailable Revenue	\$ 365,255	\$	\$ 365,255
Fund Balances (Deficit):			
Nonspendable:			
Inventories	\$ 34,157	\$	\$ 34,157
Prepaid Assets	74,517		74,517
Restricted - Impact Fees	196,711		196,711
Unassigned	4,042,560	(24,267)	4,018,293
Total Fund Balances (Deficit)	<u>\$ 4,347,945</u>	<u>\$ (24,267)</u>	<u>\$ 4,323,678</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,065,460</u>	<u>\$ 113,614</u>	<u>\$ 5,179,074</u>

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

**MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2017**

Total Fund Balances - Total Governmental Funds	\$ 4,323,678
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	6,630,868
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	365,255
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Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,230,961)</u>
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Net Position of Governmental Activities	\$ <u>5,088,840</u>
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The accompanying notes are an integral part of the financial statements.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General Fund	Rescue Squad Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ 3,689,042	\$	\$ 3,689,042
Charges for Services	749,118	400,265	1,149,383
Impact Fees	514,465		514,465
Intergovernmental	60,568		60,568
Miscellaneous	22,416	669	23,085
Total Revenues	<u>\$ 5,035,609</u>	<u>\$ 400,934</u>	<u>\$ 5,436,543</u>
EXPENDITURES			
Current:			
Fire Department	\$ 4,368,522	\$	\$ 4,368,522
Rescue Squad		418,239	418,239
Capital Outlay	919,350		919,350
Debt Service:			
Principal	71,406		71,406
Interest	23,650		23,650
Total Expenditures	<u>\$ 5,382,928</u>	<u>\$ 418,239</u>	<u>\$ 5,801,167</u>
Deficiency of Revenues Under Expenditures	<u>\$ (347,319)</u>	<u>\$ (17,305)</u>	<u>\$ (364,624)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$ 2,179	\$ 2,179
Transfers Out	(2,179)		(2,179)
Note Payable Issued	569,779		569,779
Sale of Capital Assets	8,000		8,000
Total Other Financing Sources (Uses)	<u>\$ 575,600</u>	<u>\$ 2,179</u>	<u>\$ 577,779</u>
Net Change in Fund Balances	<u>\$ 228,281</u>	<u>\$ (15,126)</u>	<u>\$ 213,155</u>
Fund Balances - Beginning	<u>4,119,664</u>	<u>(9,141)</u>	<u>4,110,523</u>
Fund Balances - Ending	<u><u>\$ 4,347,945</u></u>	<u><u>\$ (24,267)</u></u>	<u><u>\$ 4,323,678</u></u>

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

**MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ 213,155
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays (\$919,350) exceeded depreciation (\$519,709) and book value of capital asset disposals (\$10) in the current period.	399,631
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	37,945
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, had any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	(498,373)
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.	<u>(324,986)</u>
Change in Net Position of Governmental Activities	\$ <u>(172,628)</u>

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

**MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
December 31, 2017**

ASSETS

Cash and Cash Equivalents	\$ 20,976
Prepaid Assets	<u>6,275</u>
Total Assets	<u>\$ 27,251</u>

LIABILITIES

Due to Firemen	<u>\$ 27,251</u>
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The accompanying notes are an integral part of the financial statements.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Murrells Inlet-Garden City Fire Department (the Department) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Department applies all relevant GASB pronouncements.

The more significant accounting policies of the Department are described below.

A. Reporting Entity

The Department was established in 1966 by Title 4 Chapter 23 of the Code of Laws of the State of South Carolina. The Department was created to provide fire protection for the residents of the district that was created. The Department's duties and responsibilities include purchasing and maintaining firefighting equipment, hiring and employing firemen and training volunteer firemen.

Funding for the Department is provided by property taxes and impact fees levied and collected by Georgetown County, South Carolina and Horry County, South Carolina. The Department receives contractual revenues from Georgetown County to provide paramedic rescue services.

In evaluating how to define the Department, for financial reporting purposes, management has considered all potential component units. Potential component units are legally separate organizations for which the Department might be considered to be financially accountable. The Murrells Inlet-Garden City Fire Department financial reporting entity consists only of the activities of the Department. No other separate entities have been included in the reporting entity since the Department is not financially accountable for any other separate organizations.

B. Government-Wide Financial Statements

The Department's government-wide financial statements (the statement of net position and the statement of activities) report information on all of its nonfiduciary activities. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

The financial transactions of the Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements. The Department uses the following fund types:

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

The focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the Department's governmental funds:

1. General fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes and the revenue serves as the foundation of the fund.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is on net position and changes in net position.

The Department reports the following major governmental funds:

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

The *Rescue Squad Fund* is a special revenue fund that is used to account for contract revenues received from Georgetown County, South Carolina to provide paramedic rescue services.

The Department's agency fund is presented in the fiduciary fund financial statement. Since these assets cannot be used to address activities or obligations of the Department, the agency fund is not incorporated into the government-wide financial statements. The Department's agency fund is as follows:

The *Firemen's Fund* is used to account for resources held by the Department for its firemen in an agency capacity.

D. Measurement Focus and Basis of Accounting

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

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. The Department considers all revenues to be susceptible to accrual. 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 net pension liability, are recorded only when payment is due.

The agency fund financial statement is reported using the accrual basis of accounting. Agency funds do not have a measurement focus.

E. Cash Equivalents

The Department considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

F. Receivables

Receivables are presented in the financial statements net of allowances for doubtful accounts. Allowances for doubtful accounts are based upon historical trends and the periodic aging of receivables.

G. Interfund Activity

The effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is classified as either loans, services provided, reimbursements or transfers. Loans are referred to as due to/from other funds. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

H. Inventories

Inventories are valued at cost, on an average cost basis.

I. Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets using the consumption method in both the government-wide and fund financial statements.

J. Restricted Assets

Restricted assets consist of impact fees that must be expended for the acquisition and/or maintenance of property and equipment utilized by the Department. When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$2,500. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition cost on the date of donation.

The costs of normal maintenance and repairs, which neither materially add to the value of an asset nor prolong its life, are charged to expense as incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	15 years
Buildings and Improvements	40 years
Fire Trucks	20 years
Vehicles and Equipment	5 years

L. Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Department currently has one item which qualifies for reporting in this category. It is the deferred amount related to pension plans, which represents the Department's proportionate share of the plans' deferred outflows of resources.

M. Compensated Absences

It is the Department's policy to permit employees to accumulate earned but unused vacation and sick pay. There is no liability for unpaid accumulated sick pay since the Department does not have to pay any amounts if an employee separates from service. Vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is not reported in the governmental funds.

N. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Department currently has two items which qualify for reporting in this category. Unavailable revenue, which arises only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet, is deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred amounts related to pension plans represents the Department's proportionate share of the plans' deferred inflows of resources.

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the repayment of the principal of long-term debt during the current period. The face amount of long-term debt issued is reported as other financing sources.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Equity Classifications

In the government-wide financial statements, equity is classified as net position and is displayed in the following components:

Net Investment in Capital Assets - Consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of restricted or net investment in capital assets.

In the governmental fund financial statements, fund balances are displayed in the following components:

Nonspendable - Consists of amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Consists of amounts with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unassigned - Consists of all amounts not included in other classifications. The Department only reports positive unassigned fund balance in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Department considers restricted funds to have been spent first. Additionally, the Department first uses committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Department has not formally adopted a minimum fund balance policy.

Q. Revenues and Expenses

Real property and all personal property other than vehicles are assessed for property tax purposes as of January 1st of each year. All taxable property is assessed in proportion to its value on that date. Taxes are payable between October 1st and January 15th following their levy on October 1st. The lien date is January 15th and unpaid amounts after this date are considered to be delinquent and are subject to penalties for late payment.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department and payment is due before the end of the month of the scheduled renewal.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Department recognizes grant revenues and receivables when the applicable eligibility requirements, including time requirements, are met. Resources received before the eligibility requirements are met are reported as deferred revenue.

Note 2 - GOVERNMENT-WIDE FINANCIAL STATEMENT RECONCILIATIONS

The governmental funds balance sheet is followed by a reconciliation between total fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The details of the element in the reconciliation that relates to long-term liabilities, \$6,230,961, follows:

Notes Payable	\$ 2,114,288
Net Pension Liability and Related Amounts	3,852,091
Compensated Absences	217,576
Accrued Interest Payable	<u>47,006</u>
	<u>\$ 6,230,961</u>

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. The element of the reconciliation that relates to long-term debt, \$498,373, is comprised of the following:

Note Payable Issued	\$ 569,779
Principal Repayments	<u>(71,406)</u>
	<u>\$ 498,373</u>

The details of another element in the reconciliation that relates to expenses, \$324,986, follows:

Compensated Absences	\$ (8,650)
Net Pension Liability	301,423
Accrued Interest	<u>32,213</u>
	<u>\$ 324,986</u>

Note 3 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the Department's deposits in financial institutions was \$1,943,361 and the financial institutions' balances totaled \$1,966,285. Of that balance, \$1,434,956 was covered by federal depository insurance and \$531,329 was uninsured and uncollateralized.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 3 - CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department does not have a deposit policy for custodial credit risk.

Note 4 - RECEIVABLES (NET)

Receivables at December 31, 2017, including the applicable allowances for doubtful accounts, are as follows:

	<u>General Fund</u>	<u>Rescue Squad Fund</u>	<u>Totals</u>
Emergency Medical Services	\$ 1,454,046	\$	\$ 1,454,046
Intergovernmental	1,449,734		1,449,734
Property Taxes	1,502,174		1,502,174
Other		300	300
	<u>\$ 4,405,954</u>	<u>\$ 300</u>	<u>\$ 4,406,254</u>
Allowances for Doubtful Accounts	(1,396,120)		(1,396,120)
	<u>\$ 3,009,834</u>	<u>\$ 300</u>	<u>\$ 3,010,134</u>

Note 5 - CAPITAL ASSETS (NET)

The Department's capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 974,517	\$	\$	\$ 974,517
Capital Assets Being Depreciated:				
Land Improvements	\$ 89,678	\$	\$	\$ 89,678
Buildings and Improvements	3,880,150	10,777		3,890,927
Fire Trucks	3,631,208	713,712	249,800	4,095,120
Vehicles and Equipment	2,623,111	194,861	16,274	2,801,698
	<u>\$ 10,224,147</u>	<u>\$ 919,350</u>	<u>\$ 266,074</u>	<u>\$ 10,877,423</u>
Accumulated Depreciation for:				
Land Improvements	\$ (78,534)	\$ (1,426)	\$	\$ (79,960)
Buildings and Improvements	(1,107,625)	(101,653)		(1,209,278)
Fire Trucks	(2,383,818)	(128,083)	(249,800)	(2,262,101)
Vehicles and Equipment	(1,397,450)	(288,547)	(16,264)	(1,669,733)
	<u>\$ (4,967,427)</u>	<u>\$ (519,709)</u>	<u>\$ (266,064)</u>	<u>\$ (5,221,072)</u>
Capital Assets (Net)	<u>\$ 6,231,237</u>	<u>\$ 399,641</u>	<u>\$ 10</u>	<u>\$ 6,630,868</u>

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 5 - CAPITAL ASSETS (NET) (continued)

Depreciation expense was charged to functions / programs of the Department's governmental activities as follows:

Fire Department	\$ 519,709
Rescue Squad	<u>0</u>
	<u>\$ 519,709</u>

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES / EXPENDITURES

Accounts payable and accrued expenses / expenditures consisted of the following at December 31, 2017:

	<u>General Fund</u>	<u>Rescue Squad Fund</u>	<u>Totals</u>
Trade Accounts Payable	\$ 211,769	\$	\$ 211,769
Accrued Salaries and Wages	<u>115,491</u>	<u></u>	<u>115,491</u>
	<u>\$ 327,260</u>	<u>\$</u>	<u>\$ 327,260</u>
Reconciliation to the Government-Wide Statement of Net Position:			
Accrued Interest Payable			<u>47,006</u>
			<u>\$ 374,266</u>

Note 7 - UNAVAILABLE REVENUE

At December 31, 2017 unavailable revenue consisted of the following:

	<u>General Fund</u>	<u>Rescue Squad Fund</u>	<u>Totals</u>
Property Taxes	\$ 258,599	\$	\$ 258,599
Emergency Medical Services	<u>106,656</u>	<u></u>	<u>106,656</u>
	<u>\$ 365,255</u>	<u>\$</u>	<u>\$ 365,255</u>

Note 8 - LONG-TERM LIABILITIES

A. Governmental Activities

At December 31, 2017, long-term debt of the Department's governmental activities was as follows:

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 8 - LONG-TERM LIABILITIES (continued)

	<u>Original</u> <u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final</u> <u>Maturity Date</u>	<u>Amount</u>
Notes Payable:				
TD Bank	\$ 200,000	3.08%	04/01/19	\$ 66,667
Conway National Bank	320,915	2.74	03/10/23	308,672
Conway National Bank	195,000	2.51	04/21/23	169,170
Conway National Bank	1,000,000	2.74	02/15/24	1,000,000
Conway National Bank	569,779	3.85	04/25/24	569,779
				<u>\$ 2,114,288</u>

The notes payable were issued to finance the acquisition of buildings and fire equipment. The notes are secured by the assets financed. Annual debt service requirements to maturity for the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending December 31, 2018	\$ 164,647	\$ 57,808	\$ 222,455
2019	168,165	54,256	222,421
2020	138,465	48,569	187,034
2021	142,196	44,838	187,034
2022	146,028	41,006	187,034
2023 - 2024	<u>1,354,787</u>	<u>58,442</u>	<u>1,413,229</u>
	<u>\$ 2,114,288</u>	<u>\$ 304,919</u>	<u>\$ 2,419,207</u>

B. Changes in Long-Term Liabilities

The Departments' long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Notes Payable	\$ 1,615,915	\$ 569,779	\$ 71,406	\$ 2,114,288	\$ 164,647
Compensated Absences	<u>226,226</u>	<u>341,789</u>	<u>350,439</u>	<u>217,576</u>	<u>217,576</u>
	<u>\$ 1,842,141</u>	<u>\$ 911,568</u>	<u>\$ 421,845</u>	<u>\$ 2,331,864</u>	<u>\$ 382,223</u>

Reconciliation to the Government-Wide Statement of Net Position:

Net Pension Liability	<u>5,084,734</u>	
	<u>\$ 7,416,598</u>	<u>\$ 382,223</u>

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS

A. Plan Description

The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the South Carolina Public Employee Benefit Authority (PEBA). The SCRS was established 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) is a cost-sharing multiple-employer defined benefit pension plan administered by PEBA. The PORS was established 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.

PEBA issues a publicly available comprehensive annual financial report that can be obtained at www.peba.sc.gov or by writing to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

B. Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements for the SCRS and the PORS is presented below.

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

C. Benefits Provided

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service and average final compensation. A brief summary of benefit terms for the SCRS and the PORS is presented below.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS (continued)

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

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

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity 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.

D. 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 employer contribution rate that exceeds 2.9% of earnable compensation for the SCRS and 5.0% for the 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 liability of the SCRS and PORS, 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.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS (continued)

If the most recent annual actuarial valuation of the SCRS and PORS for funding purposes shows a ratio of the actuarial value of assets to the actuarial accrued liability (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 5.0% 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 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 contributions rates until a subsequent annual actuarial valuation shows a funded ratio that is equal to or greater than ninety percent.

The Retirement System Funding and Administration Act increases the employer contribution rate to 13.56% for the SCRS and 16.24% for the PORS effective July 1, 2017. It also removes the 2.9% and 5.0% differential and increases and establishes a ceiling on the employee contribution rates at 9.0% and 9.75% for the SCRS and the PORS, respectively. The employer contribution rate will continue to increase annually by one percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for the SCRS and 21.24% for the PORS. The amortization period is scheduled to be reduced one year for each of the next ten years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety percent to eighty five percent.

Required employee contributions rates, as a percentage of earnable compensation, are currently as follows:

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	9.00%	9.75%
Class Three Member	9.00	9.75

Required employer contributions rates, as a percentage of earnable compensation, are currently as follows:

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	13.41%	15.84%
Class Three Member	13.41	15.84
Incidental Death Benefit	0.15	0.20
Accidental Death Benefit	N/A	0.20

The Department's contributions to the SCRS and the PORS for the year ended December 31, 2017 were \$4,782 and \$391,364, respectively. The contributions made by the Department were equal to the required contributions for the year.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS (continued)

E. Net Pension Liability and Pension Expense

SCRS - At December 31, 2017, the Department reported a liability of \$85,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the SCRS relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Department's proportion was 0.000382%, which has decreased from its proportion of 0.000531%, measured as of June 30, 2016.

For the year ended December 31, 2017, the Department recognized SCRS pension expense of \$(372).

PORS - At December 31, 2017, the Department reported a liability of \$4,998,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the PORS relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Departments' proportion was 0.182470%, which has increased from its proportion of 0.132220% measured as of June 30, 2016.

For the year ended December 31, 2017, the Department recognized PORS pension expense of \$697,941.

F. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

At December 31, 2017, the Department reported deferred outflows of resources related to pension plans from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Differences Between Expected and Actual		
Pension Liability Experience	\$ 383	\$ 44,575
Changes of Assumptions	5,034	474,426
Differences Between Projected and Actual		
Earnings on Plan Investments	6,938	523,499
Changes in Proportion and Differences Between		
Department Contributions and Proportionate Share		
of Contributions	23,985	1,009,746
Department Contributions Subsequent to the		
Measurement Date	<u>2,581</u>	<u>208,330</u>
	<u>\$ 38,921</u>	<u>\$ 2,260,576</u>

At December 31, 2017, the Department reported deferred inflows of resources related to pension plans from the following sources:

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS (continued)

	<u>SCRS</u>	<u>PORS</u>
Differences Between Expected and Actual Pension Liability Experience	\$ 48	\$
Differences Between Projected and Actual Earnings on Plan Investments	4,537	345,374
Changes in Proportion and Differences Between Department Contributions and Proportionate Share of Contributions	69,614	647,281
	<u>\$ 74,199</u>	<u>\$ 992,655</u>

The \$210,911 amount reported as deferred outflows of resources related to pension plans resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension plans will be recognized in pension expense as follows:

Year Ended December 31, 2018	\$ 278,567
2019	326,207
2020	269,364
2021	147,594
	<u>\$ 1,021,732</u>

G. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Inflation	2.25%	2.25%
Salary Increases	3.00 - 12.50	3.50 - 9.50
Investment Rate of Return	7.25	7.25

Mortality rates were based on the 2016 Public Retirees of South Carolina Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA projected from the year 2016.

The long-term expected rate of return on pension plan investments is based upon the thirty 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.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS (continued)

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 adding expected inflation. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Global Equity		
Global Public Equity	31.0%	6.72%
Private Equity	9.0	9.60
Equity Options Strategies	5.0	5.91
Real Assets		
Real Estate (Private)	5.0	4.32
Commodities (REITs)	2.0	6.33
Infrastructure	1.0	6.26
Opportunistic		
GTAA/Risk Parity	10.0	4.16
Hedge Funds (non-PA)	4.0	3.82
Other Opportunistic Strategies	3.0	4.16
Diversified Credit		
Mixed Credit	6.0	3.92
Emerging Markets Debt	5.0	5.01
Private Debt	7.0	4.37
Conservative Fixed Income		
Core Fixed Income	10.0	1.60
Cash and Short Duration (Net)	2.0	0.92
	<u>100.0%</u>	

H. Discount Rate

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

I. Sensitivity of the Department's Net Pension Liability to Changes in the Discount Rate

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Department's proportionate share of the net pension liability would be

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 9 - PENSION PLANS (continued)

if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	SCRS		
	1.0% Decrease (6.25%)	Current Rate (7.25%)	1.0% Increase (8.25%)
Department's Proportionate Share of the Net Pension Liability	\$ <u>110,835</u>	\$ <u>85,994</u>	\$ <u>70,922</u>

	PORS		
	1.0% Decrease (6.25%)	Current Rate (7.25%)	1.0% Increase (8.25%)
Department's Proportionate Share of the Net Pension Liability	\$ <u>6,749,249</u>	\$ <u>4,998,740</u>	\$ <u>3,619,886</u>

J. SCRS and PORS Fiduciary Net Position

Detailed information about the SCRS's and the PORS's fiduciary net position is available in the separately issued comprehensive annual financial report.

Note 10 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the Department purchases insurance coverage. During the year ended December 31, 2017, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Department's insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE
SHARE OF THE SCRS NET PENSION LIABILITY
Last Four Fiscal Years**

<u>Year</u>	<u>Department's Proportion of the Net Pension Liability (NPL)</u>	<u>Department's Proportionate Share of the NPL</u>	<u>Department's Covered Payroll</u>	<u>Department's Proportionate Share of the NPL as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
12/31/17	0.000382 % \$	85,994	\$ 38,545	223.10 %	53.34 %
12/31/16	0.000531	113,421	66,293	171.09	52.91
12/31/15	0.001033	195,913	87,206	224.66	56.99
12/31/14	0.000561	96,586	49,716	194.28	59.92

Note: This schedule is intended to present information for ten years. The additional years' information will be presented as it becomes available.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE
SHARE OF THE PORS NET PENSION LIABILITY
Last Four Fiscal Years**

<u>Year</u>	<u>Department's Proportion of the Net Pension Liability (NPL)</u>	<u>Department's Proportionate Share of the NPL</u>	<u>Department's Covered Payroll</u>	<u>Department's Proportionate Share of the NPL as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
12/31/17	0.182470 % \$	4,998,740	\$ 2,457,207	203.43 %	60.94 %
12/31/16	0.132220	3,353,651	2,096,934	159.93	60.44
12/31/15	0.185850	4,050,594	2,384,345	169.88	64.57
12/31/14	0.167500	3,206,704	2,015,806	159.08	67.55

Note: This schedule is intended to present information for ten years. The additional years' information will be presented as it becomes available.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT

**SCHEDULE OF DEPARTMENT CONTRIBUTIONS TO THE SCRS
Last Four Fiscal Years**

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Department's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
12/31/17	\$ 4,782	\$ 4,782	\$ 0	\$ 38,078	12.56 %
12/31/16	4,838	4,838	0	42,864	11.29
12/31/15	8,839	8,839	0	80,465	10.98
12/31/14	7,800	7,800	0	72,118	10.82

Note: This schedule is intended to present information for ten years. The additional years' information will be presented as it becomes available.

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT

**SCHEDULE OF DEPARTMENT CONTRIBUTIONS TO THE PORS
Last Four Fiscal Years**

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Department's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
12/31/17	\$ 391,364	\$ 391,364	\$ 0	\$ 2,568,169	15.24 %
12/31/16	315,346	315,346	0	2,252,449	14.00
12/31/15	280,301	280,301	0	2,065,228	13.57
12/31/14	267,065	267,065	0	2,034,747	13.13

Note: This schedule is intended to present information for ten years. The additional years' information will be presented as it becomes available.

**MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2017**

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 3,590,000	\$ 3,689,042	\$ 99,042
Charges for Services	755,000	749,118	(5,882)
Impact Fees	340,000	514,465	174,465
Intergovernmental	50,000	60,568	10,568
Miscellaneous	8,000	22,416	14,416
Total Revenues	<u>\$ 4,743,000</u>	<u>\$ 5,035,609</u>	<u>\$ 292,609</u>
EXPENDITURES			
Current:			
Fire Department	\$ 4,300,655	\$ 4,368,522	\$ (67,867)
Capital Outlay	263,000	919,350	(656,350)
Debt Service:			
Principal	109,000	71,406	37,594
Interest	44,200	23,650	20,550
Total Expenditures	<u>\$ 4,716,855</u>	<u>\$ 5,382,928</u>	<u>\$ (666,073)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 26,145</u>	<u>\$ (347,319)</u>	<u>\$ (373,464)</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	\$ (26,145)	\$ (2,179)	\$ 23,966
Note Payable Issued		569,779	569,779
Sale of Capital Assets		8,000	8,000
Total Other Financing Sources (Uses)	<u>\$ (26,145)</u>	<u>\$ 575,600</u>	<u>\$ 601,745</u>
Net Change in Fund Balances	\$	\$ 228,281	\$ 228,281
Fund Balances - Beginning	<u>4,119,664</u>	<u>4,119,664</u>	
Fund Balances - Ending	<u><u>\$ 4,119,664</u></u>	<u><u>\$ 4,347,945</u></u>	<u><u>\$ 228,281</u></u>

**MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
RESCUE SQUAD FUND
Year Ended December 31, 2017**

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
REVENUES			
Charges for Services	\$ 400,265	\$ 400,265	\$
Miscellaneous	300	669	369
Total Revenues	<u>\$ 400,565</u>	<u>\$ 400,934</u>	<u>\$ 369</u>
EXPENDITURES			
Current:			
Rescue Squad	\$ 426,491	\$ 418,239	\$ 8,252
Deficiency of Revenues Under Expenditures	\$ (25,926)	\$ (17,305)	\$ 8,621
OTHER FINANCING SOURCES			
Transfers In	<u>26,145</u>	<u>2,179</u>	<u>(23,966)</u>
Net Change in Fund Balance	\$ 219	\$ (15,126)	\$ (15,345)
Fund Balance - Beginning	<u>(9,141)</u>	<u>(9,141)</u>	<u></u>
Fund Balance - Ending	<u><u>\$ (8,922)</u></u>	<u><u>\$ (24,267)</u></u>	<u><u>\$ (15,345)</u></u>

MURRELLS INLET-GARDEN CITY FIRE DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

Note 1 - BUDGETS AND BUDGETARY ACCOUNTING

The Department utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Board of Directors submits a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31st, the budget is adopted by a majority vote of the Board of Directors.
4. The Department's policies allow budgeted amounts to be transferred between expense classifications. However, revisions that alter the total expenditures of any fund must be approved by the Department's Board of Directors. Thus, the legal level of control is at the fund level.
5. The Department generally adopts an annual appropriated budget for all funds other than fiduciary funds. The budgets are adopted annually on a basis consistent with generally accepted accounting principles.
6. All annual appropriations lapse at year-end.