



KEOWEE FIRE TAX DISTRICT SALEM, SOUTH CAROLINA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2020

KEOWEE FIRE TAX DISTRICT

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PAYNE, WHITE & SCHMUTZ
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Independent Auditor's Report

District Commissioners and Management
Keowee Fire Tax District
Salem, 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 Keowee Fire Tax District, South Carolina (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Keowee Fire Tax District, South Carolina, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Payne, White & Schmutz, CPA, PA". The signature is written in a cursive, flowing style.

Payne, White & Schmutz, CPA, PA

October 6, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEOWEE FIRE TAX DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

The management of the Keowee Fire Tax District ("District") offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020 ("FY 2020" or "2020") compared to the fiscal years ended June 30, 2019 ("FY 2019" or "2019") and June 30, 2018 ("FY 2018" or "2018"). The intent of this management's discussion and analysis ("MD&A") is to look at the District's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the District's overall financial performance.

Financial Highlights

- In the Statement of Net Position, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,122,912. Unrestricted net position was \$32,919 primarily due to the District's net pension liability, which was \$658,586 at June 30, 2020.
- The District's total net position increased by \$130,645 compared to the prior year net position, as revenues of \$914,026 exceeded expenses of \$783,381.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$735,402, an increase of \$16,626.
- At the end of the current year, unassigned fund balance for the General Fund was \$569,495, ~64% of total General Fund expenditures for 2020.
- The District's capital assets decreased by \$59,450 (~3%). The decrease in capital assets is attributed to depreciation expense of approximately \$91,000.
- The District's total debt decreased by \$165,264 (~19%) during 2020 due to regularly scheduled principal payments.
- The District's net pension liability decreased by \$123,645 (~16%) to \$658,586 at June 30, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes the MD&A, the financial statements, the required supplementary information, and the supplementary information) and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the District through the use of government-wide and fund financial statements. In addition to the financial statements, this report contains required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the District.

Government-Wide Financial Statements. The financial statements include two statements that present different views of the District. These are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

KEOWEE FIRE TAX DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities public safety (fire) expenditures. The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the District's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the District's budget ordinance. All of the funds of the District are reported in governmental funds.

Governmental Fund – The District uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. The District's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the District's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

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

Required Supplementary Information – A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with their budgets. Required pension plan schedules have been included which provide relevant information regarding the District's participation in the State retirement plans. Required supplementary information can be found as listed in the table of contents.

Supplementary Information – In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information which is presented immediately following the required supplementary information. These schedules, if applicable, can be found as listed in the table of contents.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the District's Government-Wide and Fund Financial Statements		
	Government-Wide Financial Statements	Fund Financial Statements
	General and Special Revenue Funds	
Scope	Entire District government.	The activities of the District that are not proprietary.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term obligations included.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

KEOWEE FIRE TAX DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the District's net position at June 30, 2020, 2019, and 2018:

	Governmental Activities		
	2020	2019	2018
Current and Other Assets	\$ 735,402	\$ 718,776	\$ 757,051
Capital Assets	1,755,820	1,815,270	1,267,013
Total Assets	<u>2,491,222</u>	<u>2,534,046</u>	<u>2,024,064</u>
Deferred Outflows of Resources	<u>114,490</u>	<u>153,633</u>	<u>174,769</u>
Current Liabilities	183,871	163,178	122,469
Long-Term Liabilities	534,489	720,058	385,797
Net Pension Liability	<u>658,586</u>	<u>782,231</u>	<u>779,515</u>
Total Liabilities	<u>1,376,946</u>	<u>1,665,467</u>	<u>1,287,781</u>
Deferred Inflows of Resources	<u>105,854</u>	<u>29,945</u>	<u>30,211</u>
Net Investment in Capital Assets	1,059,086	953,844	784,767
Restricted	30,907	21,819	21,819
Unrestricted	<u>32,919</u>	<u>16,604</u>	<u>74,255</u>
Total Net Position	<u>\$ 1,122,912</u>	<u>\$ 992,267</u>	<u>\$ 880,841</u>

The District's total assets decreased \$42,824 from the prior year. Current and other assets increased \$16,626 primarily due to an increase in cash and cash equivalents and accounts receivable. Capital assets decreased \$59,450 from the prior year due to capital asset additions failing to exceed capital asset depreciation. Total liabilities decreased \$288,521 from the prior year primarily due to no additional issuance of bonds in the current year and regularly scheduled principal payments. The changes in deferred outflows and inflows of resources was primarily due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the District's share of the net pension liability in the State retirement plans.

The District's net position increased by \$130,645 during the current fiscal year primarily due to revenues exceeding expenses in 2020. Please see the discussion following the next table regarding this increase.

The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,122,912 as of June 30, 2020. \$1,059,086 of total net position reflects the District's net investment in capital assets (i.e., land, buildings, equipment, vehicles, etc.) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the District's net position is a restricted balance of \$30,907 and an unrestricted balance of \$32,919.

KEOWEE FIRE TAX DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the District's net position for the years ended June 30, 2020, 2019, and 2018:

	Governmental Activities		
	2020	2019	2018
Revenues:			
Program Revenues:			
Charges for Services	\$ 65,000	\$ 55,000	\$ 54,000
Capital Grants and Contributions	15,000	15,000	15,000
Operating Grants and Contributions	22,687	-	-
General Revenues:			
Taxes	748,707	727,233	707,153
Other	62,632	70,158	47,011
Total Revenues	<u>914,026</u>	<u>867,391</u>	<u>823,164</u>
Expenses:			
Personal Services	523,960	511,581	575,289
Material and Services	149,364	151,469	119,362
Interest on Long-Term Obligations	19,267	12,071	15,566
Depreciation	90,790	80,844	83,351
Total Expenses	<u>783,381</u>	<u>755,965</u>	<u>793,568</u>
Change in Net Position	130,645	111,426	29,596
Net Position - Beginning of Year	<u>992,267</u>	<u>880,841</u>	<u>851,245</u>
Net Position - End of Year	<u>\$ 1,122,912</u>	<u>\$ 992,267</u>	<u>\$ 880,841</u>

Governmental Activities: Governmental activities had an increase in net position of \$130,645. Governmental activities revenues increased by \$46,635 (~5%) from the prior year due to an increase in tax revenue, interest and contributions.

Expenses related to total governmental activities increased by \$27,416, or ~4%, from the prior year. This increase was primarily due an increase in personnel service expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned 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, the District's governmental funds reported ending fund balance of \$735,402, an increase of \$16,626, or ~2% higher than the prior year fund balance.

\$569,495 (~81%) of the total fund balance of the governmental funds constitutes unassigned fund balance, which is available for spending at the District's discretion. \$30,907 is restricted for fringe expenditures. The remainder of the fund balance is assigned to indicate that it is not available for new spending: (1) for capital expenditures (\$60,000), and (2) for contingency (\$75,000). Total unassigned fund balance of the governmental funds (General Fund) represents ~64% of total governmental funds expenditures.

KEOWEE FIRE TAX DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Highlights for the General Fund were as follows:

- Total General Fund revenues increased by \$49,935 from the prior year, primarily due to higher taxes and an increase in payments in lieu of taxes from Duke Energy.
- Total General Fund expenditures decreased by \$519,766 from the prior year, due to lower capital expenditures.

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets as of June 30, 2020 amounted to \$1,755,820. The District's capital assets include construction in progress, buildings, improvements, equipment, and vehicles. The District's capital assets (net of depreciation) as of June 30, 2020, 2019, and 2018 were as follows:

	Governmental Activities		
	2020	2019	2018
Construction in Progress	\$ -	\$ 582,000	-
Buildings and Improvements	1,042,548	1,085,145	1,128,208
Vehicles	680,661	93,109	63,830
Equipment	32,611	55,016	74,975
Total	<u>\$ 1,755,820</u>	<u>\$ 1,815,270</u>	<u>\$ 1,267,013</u>

The total decrease in the District's capital assets for 2020 was \$59,450. Major capital asset events during 2020 included the following:

- Capital asset additions of approximately \$31,341 consisted of:
 - Completion of Fire Truck - \$31,341.
- Depreciation expense of approximately \$90,790 for governmental activities.

Additional information on the District's capital assets can be found in Note 3 in the notes to the financial statements.

KEOWEE FIRE TAX DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2020, the District had total outstanding debt of \$691,709. The District's total debt as of June 30, 2020, 2019, and 2018 were as follows:

	Governmental Activities		
	2020	2019	2018
General Obligation Bonds	\$ 673,712	\$821,532	\$409,586
Capital Lease Payable	17,997	35,441	68,735
Total	<u>\$ 691,709</u>	<u>\$856,973</u>	<u>\$478,321</u>

The total decrease in the District's debt for 2020 was \$165,264 or ~19%. Major events during 2020 included the following:

Business-Type Activities:

- Scheduled principal payments on revenue bonds and capital leases of approximately \$165,000.

Additional information regarding the District's long-term obligations can be found in Note 4 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials and staff considered many factors when setting the fiscal year 2020 budget. The state of the economy, anticipated construction activity, future capital needs, and the best interests of the District's residents were all taken into account.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Keowee Fire's citizens, taxpayers, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the public assets under its management. Please contact the Keowee Fire Tax District, 115 Maintenance Rd, Salem, SC 29676, with any questions or to request additional information.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

KEOWEE FIRE TAX DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	\$ 703,006
Property Taxes Receivable	17,396
Grant Receivable	15,000
CAPITAL ASSETS:	
Depreciable	2,609,148
Less Accumulated Depreciation	<u>(853,328)</u>
TOTAL ASSETS	<u>2,491,222</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	<u>114,490</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>114,490</u>
LIABILITIES	
Accrued Interest Payable	5,025
NON CURRENT LIABILITIES DUE WITHIN ONE YEAR:	
Compensated Absences	10,813
Capital Lease Payable	17,997
Bonds Payable	150,036
NON CURRENT LIABILITIES DUE IN MORE THAN ONE YEAR:	
Compensated Absences	10,813
Capital Lease Payable	-
Bonds Payable	523,676
Net Pension Obligation	<u>658,586</u>
TOTAL LIABILITIES	<u>1,376,946</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	<u>105,854</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>105,854</u>
NET POSITION	
Net Investment in Capital Assets	1,059,086
RESTRICTED FOR:	
Fringe Expenditures	30,907
Unrestricted	<u>32,919</u>
TOTAL NET POSITION	<u>\$ 1,122,912</u>

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

KEOWEE FIRE TAX DISTRICT**STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2020**

FUNCTION/PROGRAM ACTIVITIES**EXPENSES:****PUBLIC SAFETY - FIRE PROTECTION:**

Personal Services	\$ 523,960
Material and Services	149,364
Interest on Long-Term Debt	19,267
Depreciation	<u>90,790</u>

TOTAL PROGRAM EXPENSES **783,381**

PROGRAM REVENUES:

Charges for Services	65,000
Operating Grants and Contributions	22,687
Capital Grants and Contributions	<u>15,000</u>

NET PROGRAM EXPENSES **(680,694)**

GENERAL REVENUES:

Property Taxes	748,707
Grants and Contributions not Restricted to Specific Programs	45,000
Interest Income	9,061
Miscellaneous	<u>8,571</u>

TOTAL GENERAL REVENUES **811,339**

NET INCREASE (DECREASE) IN NET POSITION **130,645**

NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED **970,448**

Change in Fund Type - Fire Premium Special Revenue Fund - Note 2, O **21,819**

NET POSITION, BEGINNING OF YEAR, RESTATED **992,267**

NET POSITION, ENDING **\$ 1,122,912**

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

FUND FINANCIAL STATEMENTS

KEOWEE FIRE TAX DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2020

	GENERAL	FIRE PREMIUM SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 672,099	\$ 30,907	\$ 703,006
Property Taxes Receivable	17,396	-	17,396
Grant Receivable	15,000	-	15,000
TOTAL ASSETS	\$ 704,495	\$ 30,907	\$ 735,402
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accrued Expenses	-	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
RESTRICTED FOR:			
Fringe Expenditures	-	30,907	30,907
ASSIGNED TO:			
Capital Expenditures	60,000	-	60,000
Contingency	75,000	-	75,000
UNASSIGNED	569,495	-	569,495
TOTAL FUND BALANCES	704,495	30,907	735,402
TOTAL LIABILITIES AND FUND BALANCES	\$ 704,495	\$ 30,907	\$ 735,402

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

KEOWEE FIRE TAX DISTRICT

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

JUNE 30, 2020

Fund Balances - Total Governmental Funds	\$	735,402
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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 financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$2,609,148 and the accumulated depreciation was \$853,328.	1,755,820
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The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(649,950)
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Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(5,025)
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Long-term liabilities, debt and lease purchase obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds.
Long-term liabilities consisted of the following:

Bonds Payable	(673,712)	
Capital Lease Payable	(17,997)	
Compensated Absences	(21,626)	(713,335)

Net Position of Governmental Activities	\$	<u>1,122,912</u>
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KEOWEE FIRE TAX DISTRICT

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

YEAR ENDED JUNE 30, 2020

	GENERAL	FIRE PREMIUM SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 748,643	\$ -	\$ 748,643
Intergovernmental Revenues	60,000	22,687	82,687
Payments in Lieu of Taxes	65,000	-	65,000
Miscellaneous and Other	8,635	-	8,635
Interest Income	9,061	-	9,061
TOTAL REVENUES	891,339	22,687	914,026
EXPENDITURES			
CURRENT OPERATING:			
PUBLIC SAFETY - FIRE PROTECTION:			
Personal Services	532,553	-	532,553
Materials and Services	135,765	13,599	149,364
Capital Expenditures	31,341	-	31,341
DEBT SERVICE:			
Principal Retirement	165,264	-	165,264
Interest and Fiscal Charges	18,878	-	18,878
TOTAL EXPENDITURES	883,801	13,599	897,400
NET CHANGE IN FUND BALANCES	7,538	9,088	16,626
FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED	696,957	-	696,957
Change in Fund Type - Fire Premium Special Revenue Fund - Note 2, O	-	21,819	21,819
FUND BALANCES, BEGINNING OF YEAR, RESTATED	696,957	21,819	718,776
FUND BALANCES, ENDING	\$ 704,495	\$ 30,907	\$ 735,402

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

KEOWEE FIRE TAX DISTRICT

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

YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 16,626
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Amounts reported for the governmental activities in the Statement of Activities are different because:

The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$90,790 exceeded capital asset additions of \$31,341 in the current period.	(59,449)
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Repayment of debt principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	165,264
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(389)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>8,593</u>
--	--------------

Change in Net Position of Governmental Activities	<u><u>\$ 130,645</u></u>
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NOTES TO FINANCIAL STATEMENTS

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The Keowee Fire Tax District (the "District") was created by Oconee County Ordinance 2003-12 in August 2003. The District is governed by five elected commissioners that serve on staggered terms. According to state law, the District cannot issue debt in its name. Because of this requirement, the District is considered a component unit of Oconee County.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

As required by GAAP, the financial statements must present the District's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity ("component unit") is financial accountability, which is presumed to exist if the District both appoints a voting majority of the entity's governing body, and either 1) the District is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the District. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the District and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the District.

In order to be considered fiscally independent, an entity must have the District to do all of the following: (a) determine its budget without the District having the District to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the District; and (c) issue bonded debt without approval by the District. An entity has a financial benefit or burden relationship with the District if, for example, any one of the following conditions exists: (a) the District is legally entitled to or can otherwise access the entity's resources, (b) the District is legally obligated or has otherwise assumed the obligation to finance the deficits or provide financial support to, the entity, or (c) the District is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the District's financial statements to be misleading. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the District.

Based upon the application of these criteria, there are no component units included in the District's financial statements. However, the District is a component unit of Oconee County, South Carolina.

Major Operations

The District's major governmental operations include public safety: fire activities.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. 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. The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

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. Property taxes, charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. If applicable, non-major funds are aggregated and presented in a single column. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the District.

Governmental Fund Types are those through which most governmental functions of the District are financed. The District's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The District's only governmental funds and its major funds are as follows:

The **General Fund, a major fund and a budgeted fund**, is the general operating fund of the District and accounts for all governmental revenues and expenditures of the District. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Fire Premium Special Revenue Fund**, a nonmajor fund, is used to account for the District's 1% premium collections and expenses. These funds are restricted for eligible fire fighter expenditures.

C. Cash, Cash Equivalents, and Investments

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The District's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types, and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the District to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED):

C. Cash, Cash Equivalents, and Investments (continued):

- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

D. Accounts Receivable

Accounts receivable represents the uncollected billings as of the fiscal year-end and are shown net of an allowance for uncollectible amounts (if material).

E. Capital Assets

Property and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The District's capitalization levels are \$3,000 on tangible personal property and \$25,000 on infrastructure assets. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Buildings and Improvements	30-40
Equipment and Vehicles	5-10

F. Compensated Absences

The District accrues accumulated unpaid vacation when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. The governmental funds will also recognize a liability for compensated absences if they have matured, for example, as a result of employee resignation or retirement prior to fiscal year end (if material).

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED):

G. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one type of deferred outflow of resources, deferred pension charges. The District reports deferred pension charges in its Statements of Net Position in connection with its participation in the South Carolina Police Officers Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow of resources, deferred pension credits. The District reports deferred pension credits in its proprietary fund and government-wide Statements of Net Position in connection with its participation in the South Carolina Police Officers Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

I. Fund Balance

In accordance with GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” (“GASB #54”), the District classifies its governmental fund balances as follows:

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

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED):

Fund Balance (continued):

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

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and for which such assignments are made before the report issuance date. District Commissioners formally granted the District Chairman the right to make assignments of fund balance for the District.

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

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

J. Net Position

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

K. Property Tax

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes, less an allowance for amounts estimated to be uncollectible (if material). All property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED):

K. Property Tax (continued):

Property taxes are assessed and collected by Oconee County ("County"). The County generally levies its real property taxes in October based upon assessed valuations on January 1st of each year. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 15th	3%
February 2nd	an additional 7%
March 17th	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October.

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

L. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

M. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for its participation in the Plans, which represents the District's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the District's preceding fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED):

O. Change in Fund Types

Effective July 1, 2019, the District began reporting its fire premium activities in a special revenue fund. These activities had previously been reported as part of an agency fund.

NOTE 2 – DEPOSITS:

Custodial credit risk for Deposits - Custodial credit risk is the risk that the District's deposits will not be returned to it. The District has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. From time to time during the year, the District may have cash on deposit with banks that exceeds the balance insured by the FDIC. At June 30, 2020, the carrying amount of the District's deposits was \$672,099 and the bank balance was \$733,227.

Interest rate risk - Investments - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments - Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Credit risk – Investments - South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the United States Government and government agencies unconditionally guaranteed by the United States Government. The District has no investment policy that would further restrict its choices.

Concentration of credit risk - Investments - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investments in a single issuer. The District does not have a policy that limits the amount that may be invested in any one issuer.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the initial period ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated:				
Construction-in-Progress	\$ 582,000	\$ -	\$ (582,000)	\$ -
Total Capital Assets not being Depreciated	<u>582,000</u>	<u>-</u>	<u>(582,000)</u>	<u>-</u>
Capital Assets being Depreciated:				
Buildings and Improvements	1,561,039	-	-	1,561,039
Vehicles	268,703	613,341	-	882,044
Equipment	<u>166,065</u>	<u>-</u>	<u>-</u>	<u>166,065</u>
Total Capital Assets being Depreciated	<u>1,995,807</u>	<u>613,341</u>	<u>-</u>	<u>2,609,148</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(475,895)	(42,596)	-	(518,491)
Vehicles	(175,594)	(25,789)	-	(201,383)
Equipment	<u>(111,049)</u>	<u>(22,405)</u>	<u>-</u>	<u>(133,454)</u>
Total Accumulated Depreciation	<u>(762,538)</u>	<u>(90,790)</u>	<u>-</u>	<u>(853,328)</u>
Total Capital Assets being Depreciated, Net	<u>1,233,269</u>	<u>522,551</u>	<u>-</u>	<u>1,755,820</u>
Governmental Activities Capital Assets, Net	<u>\$1,815,269</u>	<u>\$ 522,551</u>	<u>\$ (582,000)</u>	<u>\$ 1,755,820</u>

Depreciation expense was charged to governmental functions as follows:

Public Safety	<u>\$ 90,790</u>
Total Depreciation Expense	<u>\$ 90,790</u>

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG-TERM OBLIGATIONS:

All long-term indebtedness of the primary government is accounted for in the governmental column of the Government-Wide Statement of Net Position.

The long-term obligation detailed below consists of a General Obligation Bond used to finance construction of the District's Fire Department Complex. This Bond was approved by and is the legal obligation of Oconee County, SC. In order to more accurately report the relationship between the construction of the Fire Department Complex and the financing sources used to make this capital improvement, the General Obligation Bond is included in the District's financial statements. The District also has a Lease Purchase Obligation.

General Obligations Bonds Payable

Details on the District's outstanding General Obligation Bond issues as of and changes for the year ended June 30, 2020 are as follows:

Series 2017 General Obligation Bond dated November 30, 2017 with annual principal payments ranging from \$99,500 to \$105,300 plus interest at 1.88 percent payable quarterly through April 1, 2022. \$ 208,607

Series 2019 General Obligation Bond dated April 25, 2019 with annual principal payments ranging from \$56,492 to \$61,263 plus interest at 2.51 percent payable annually through April 1, 2029. \$ 465,105

Lease Purchase Obligations Payable

Details on the District's Lease Purchase Obligation issues as of and changes for the year ended June 30, 2020 are as follows:

\$100,965 lease purchase agreement entered into December 5, 2016 with annual payments of \$18,569 beginning August 1, 2017 through August 1, 2021, with interest at 2.1 percent. The proceeds of this lease purchase obligation were used to purchase fire equipment. \$ 17,997

Changes in the long-term obligations for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds and Capital Leases Payable:					
General Obligation Bond, Series 2017	\$ 310,032	\$ -	\$ 101,425	\$ 208,607	\$ 103,332
General Obligation Bond, Series 2019	511,500	-	46,395	465,105	46,704
Total Bonds Payable	821,532	-	147,820	673,712	150,036
Capital Lease Payable	35,441	-	17,444	17,997	17,997
Total Capital Lease Payable	35,441	-	17,444	17,997	17,997
Other Liabilities - Compensated Absences	21,810	-	184	21,626	10,813
Net Pension Liability	782,231	(123,645)	-	658,586	-
Governmental Activities Long-term Liabilities	\$ 1,661,014	\$ (123,645)	\$ 165,448	\$ 1,371,921	\$ 178,846

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

The District's general funds are used to liquidate the governmental activities long-term liabilities. Debt service requirements in future years for bonds payable are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2021	168,033	16,167	184,200
2022	153,151	12,481	165,632
2023	49,078	9,300	58,378
2024	50,310	8,068	58,378
2025-2029	271,137	20,754	291,891
Total	\$ 691,709	\$ 66,770	\$ 758,479

NOTE 5 – PENSION PLAN:

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The 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 the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The 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 Description

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

Membership

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

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.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the District 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 PORS is presented below.

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 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.

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020**

NOTE 5 – PENSION PLAN (CONTINUED):

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

- Required employer contributions rates (1) for the following fiscal years are as follows:

	Fiscal Year 2020	Fiscal Year 2019
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

- Required employer contributions rates (1) for the following fiscal years are as follows:

	Fiscal Year 2020	Fiscal Year 2019
PORS		
Employer Class Two	17.84%	16.84%
Employer Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

Actuarial Assumptions and Methods

Actuarial valuations 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 during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of June 30, 2015.

The June 30, 2019, total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by Gabriel, Roeder, Smith and Company ("GRS") and are based on an actuarial valuation performed as of July 1, 2018. The TPL was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

The following table provides a summary of the actuarial assumptions and methods used to calculate TPL as of June 30, 2019.

	PORS
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.5% to 9.5%
Includes inflation at	2.25%
Benefit adjustments	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the determination of the June 30, 2018, TPL are as follows:

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

Net Pension Liability of the Plan

The NPL is calculated separately for each system and represents that particular system's total pension liability (TPL) determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for PORS are as follows:

Plan	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PORS	\$7,681,749,768	\$4,815,808,554	\$2,865,941,214	62.7%

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 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

Discount Rate

The discount rate used to measure the TPL was 7.25%. 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, each 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 proportionate share of the NPL of the plans calculated using the discount rate of 7.25 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
PORS	\$892,540	\$658,586	\$466,918

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED):

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

At June 30, 2020, the District reported a liability of \$658,586 for its proportionate share of the PORS net pension liability. The net pension liabilities were measured as of June 30, 2019, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report that was projected forward to the measurement date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2019, the District's PORS proportion was 0.022980%.

For the year ended June 30, 2020, the District recognized pension expense of \$55,181. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,542	\$ 4,867
Change in assumptions	26,116	-
Net difference between projected and actual investment earnings	8,351	-
Change in allocated proportion	1,937	100,987
Contributions after the measurement date	64,544	-
Total	<u>\$ 114,490</u>	<u>\$ 105,854</u>

The amount of \$64,544 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2021	\$ (921)
2022	(25,050)
2023	(26,698)
2024	(3,239)
2025	-
Thereafter	-
Total	<u>\$ (55,908)</u>

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 6 – CONTINGENT LIABILITIES AND COMMITMENTS:

Litigation

The District is periodically the subject of litigation by a variety of plaintiffs. The District's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Grants

The District receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the District at June 30, 2020.

NOTE 7 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits during the past three years.

NOTE 8 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 6, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

KEOWEE FIRE TAX DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 722,700	\$ 722,700	\$ 748,643	\$ 25,943
Intergovernmental Revenues	60,000	60,000	60,000	-
Payments in Lieu of Taxes	55,000	55,000	65,000	10,000
Miscellaneous and Other	1,500	1,500	8,635	7,135
Interest Income	2,100	2,100	9,061	6,961
TOTAL REVENUES	<u>841,300</u>	<u>841,300</u>	<u>891,339</u>	<u>50,039</u>
EXPENDITURES				
CURRENT OPERATING:				
PUBLIC SAFETY - FIRE PROTECTION:				
Personal Services	558,554	558,554	532,553	26,001
Materials and Services	131,915	131,915	135,765	(3,850)
Capital Expenditures	43,577	43,577	31,341	12,236
DEBT SERVICE:				
Principal Retirement	101,425	101,425	165,264	(63,839)
Interest and Fiscal Charges	5,829	5,829	18,878	(13,049)
TOTAL EXPENDITURES	<u>841,300</u>	<u>841,300</u>	<u>883,801</u>	<u>(42,501)</u>
NET CHANGE IN FUND BALANCES	-	-	7,538	7,538
FUND BALANCES, BEGINNING	<u>696,957</u>	<u>696,957</u>	<u>696,957</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 696,957</u>	<u>\$ 696,957</u>	<u>\$ 704,495</u>	<u>\$ 7,538</u>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America

KEOWEE FIRE TAX DISTRICT**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF DISTRICT
CONTRIBUTIONS TO THE COST SHARING PENSION PLAN
YEAR ENDED JUNE 30, 2020**

The District's proportionate share of the net pension liability is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability (asset)	0.022980%	0.027606%	0.028450%	0.028690%	0.028050%	0.031380%
District's proportion share of the net pension liability (asset)	\$ 658,586	\$ 782,231	\$ 779,515	\$ 727,715	\$ 611,262	\$ 600,805
District's covered-employee payroll	\$ 333,318	\$ 358,953	\$ 383,188	\$ 365,764	\$ 347,450	\$ 371,195
District's proportionate share of the net pension liability (asset) as a percentage of its employee payroll	197.58%	217.92%	203.43%	198.96%	175.93%	161.86%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.70%	60.90%	60.40%	64.60%	67.50%

The District's contributions to the cost sharing pension plan was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 64,544	\$ 57,464	\$ 58,294	\$ 54,566	\$ 50,256	\$ 46,593
Contributions in relation to the contractually required contribution	<u>(64,544)</u>	<u>(57,464)</u>	<u>(58,294)</u>	<u>(54,566)</u>	<u>(50,256)</u>	<u>(46,593)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 353,860	\$ 333,318	\$ 358,953	\$ 383,188	\$ 365,764	\$ 347,450
Contributions as a percentage of covered payroll	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The District adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.



PAYNE, WHITE & SCHMUTZ
— CERTIFIED PUBLIC ACCOUNTANTS, PA —

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

Independent Auditor's Report

District Commissioners and Management
Keowee Fire Tax District
Salem, South Carolina

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keowee Fire Tax District, South Carolina (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2020 A.1).

Compliance and Other Matters

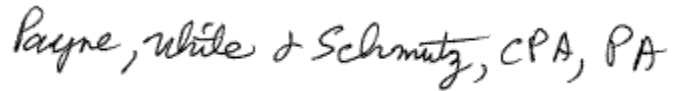
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Payne, White & Schmutz, CPA, PA". The signature is written in a cursive, flowing style.

Payne, White & Schmutz, CPA, PA

October 6, 2020

KEOWEE FIRE TAX DISTRICT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

A. FINDINGS - FINANCIAL STATEMENT AUDIT

2020 A.1 - Preparation of financial statements in accordance with generally accepted accounting principles.

Material Weakness

Condition and criteria: Internal controls over financial reporting should be in place to provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles.

Effect: Management does not prepare financial statements in accordance with prescribed requirements. A material misstatement to the District's financial statements could occur and not be prevented or detected and corrected by the District's internal controls over financial reporting.

Cause: Currently, management responsible for the accounting and reporting function does not prepare the District's financial statements in accordance with generally accepted accounting principles.

Auditor's recommendation: Consideration should be given to requiring management to prepare financial statements in accordance with generally accepted accounting principles.

Auditee's response: The District's management considers the risk tolerable when compared to the cost of implementing a mitigating control.