

**DAUFUSKIE ISLAND FIRE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

**DAUFUSKIE ISLAND FIRE DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**



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### INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Daufuskie Island Fire District  
Daufuskie Island, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Daufuskie Island Fire District (Daufuskie), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Daufuskie's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Daufuskie, as of June 30, 2015, 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.

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## **Change in Accounting Principle**

As discussed in Note 9 to the financial statements, in 2015 Daufuskie adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## **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 schedules, and historical pension information on pages 3-8 and 28-31 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 November 13, 2015, on our consideration of Daufuskie'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 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 *Governmental Auditing Standards* in considering Daufuskie's internal control over financial reporting and compliance.



Crowley Wechsler & Associates LLC  
Beaufort, South Carolina  
November 13, 2015

## **Daufuskie Island Fire District Management's Discussion and Analysis**

As management of Daufuskie Island Fire District (Daufuskie), we offer readers of Daufuskie's financial statements this narrative overview and analysis of the financial activities of Daufuskie for the fiscal year ended June 30, 2015.

### **Financial Highlights**

- The assets of Daufuskie exceed its liabilities at the close of the most recent fiscal year by \$742,767 (net position). Of this amount, \$1,909 (restricted net position) represents cash held by Beaufort County for impact fees and 1% fees. Another \$1,371,970 represents the investment in capital assets less depreciation on those assets. (\$631,112) represents the deficit in unrestricted net position. This deficit is a result of the restatement of the beginning net position of \$902,386 for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position decreased \$39,710 for the year ended June 30, 2015.
- As of the close of the current fiscal year Daufuskie's governmental funds reported a combined ending fund balance of \$142,442, a decrease of \$63,383.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

Daufuskie maintains four individual governmental programs. Information is presented by expenditure category in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. Data from these programs are combined into a single, aggregated presentation.

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

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and a report on compliance and on internal control over financial reporting. Daufuskie also presents historical pension information as required supplementary information that provides data over a ten year period relating to net pension liability and contributions.

**Government-wide Financial Analysis.** As noted earlier, net position may serve over time as a useful indicator of a public government's financial position. In the case of Daufuskie Island Fire District assets exceeded liabilities by \$742,767 and \$1,684,863 for 2015 and 2014, respectively. The following table reflects the condensed government-wide statement of net position.

<b>DAUFUSKIE ISLAND FIRE DISTRICT NET POSITION</b>		
	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current and Other Assets	\$ 300,047	\$ 324,962
Capital Assets	1,371,970	1,382,017
Total Assets	<u>1,672,017</u>	<u>1,706,979</u>
Deferred Outflows of Resources	102,284	-
Current Liabilities	-	-
Long-term Liabilities Outstanding	927,345	22,116
Total Liabilities	<u>927,345</u>	<u>22,116</u>
Deferred Inflows of Resources	<u>104,189</u>	-
Net Position		
Unrestricted	(631,112)	254,478
Restricted	1,909	48,368
Net Investment in Capital Assets	<u>1,371,970</u>	<u>1,382,017</u>
Total Net Position	<u>\$ 742,767</u>	<u>\$ 1,684,863</u>

Daufuskie adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required the restatement of net pension at June 30, 2014 in the amount of \$902,386 to comply with generally accepted accounting principles. The largest portion of Daufuskie's net position \$1,371,970 reflects its investment in capital assets less the accumulated depreciation on capital assets. These capital assets are not available for future spending. Daufuskie's unrestricted net position \$(631,112), reflects the net pension liability of \$900,451 and the liability for compensated absences of \$26,894 which are reported in long-term liabilities outstanding. The \$1,909 represents the assets restricted for one percent fees and impact fees.

Daufuskie adopted the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" which required the restatement of net position in the amount of \$902,386. This reflected a change in accounting principle in accordance with generally accepted accounting principles.

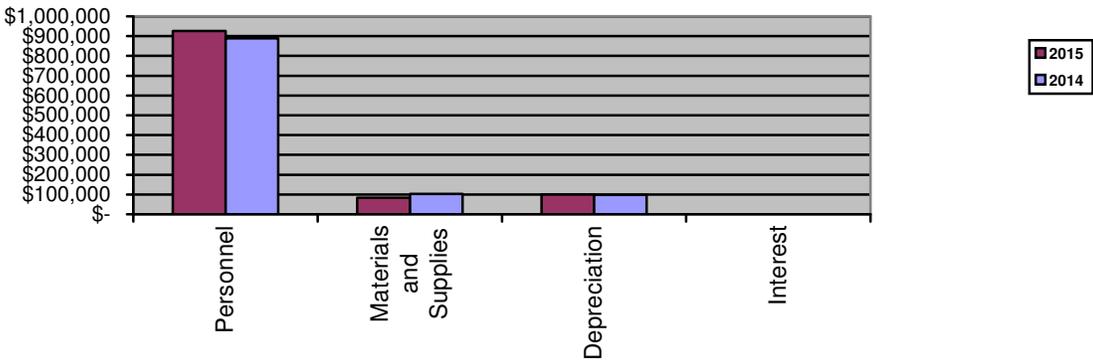
**Governmental activities.** Daufuskie's total net position decreased by \$39,710. Key elements of this decrease are as shown in the following table.

<b>DAUFUSKIE ISLAND FIRE DISTRICT CHANGE IN NET POSITION</b>		
	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Expenses		
Public Safety - Fire Protection		
Personnel	\$ 926,772	\$ 889,506
Materials and Services	83,835	102,755
Depreciation	99,474	97,929
Total expenses	<u>1,110,081</u>	<u>1,090,190</u>
General Revenues		
Taxes	1,052,105	1,036,783
Fees	18,201	26,554
Miscellaneous	65	47
Total general revenues	<u>1,070,371</u>	<u>1,063,384</u>
Change in net position	(39,710)	(26,806)
Net Position – beginning	1,684,863	1,711,669
Prior Period Restatement	(902,386)	-
Net Postion – ending	<u>\$ 742,767</u>	<u>\$ 1,684,863</u>

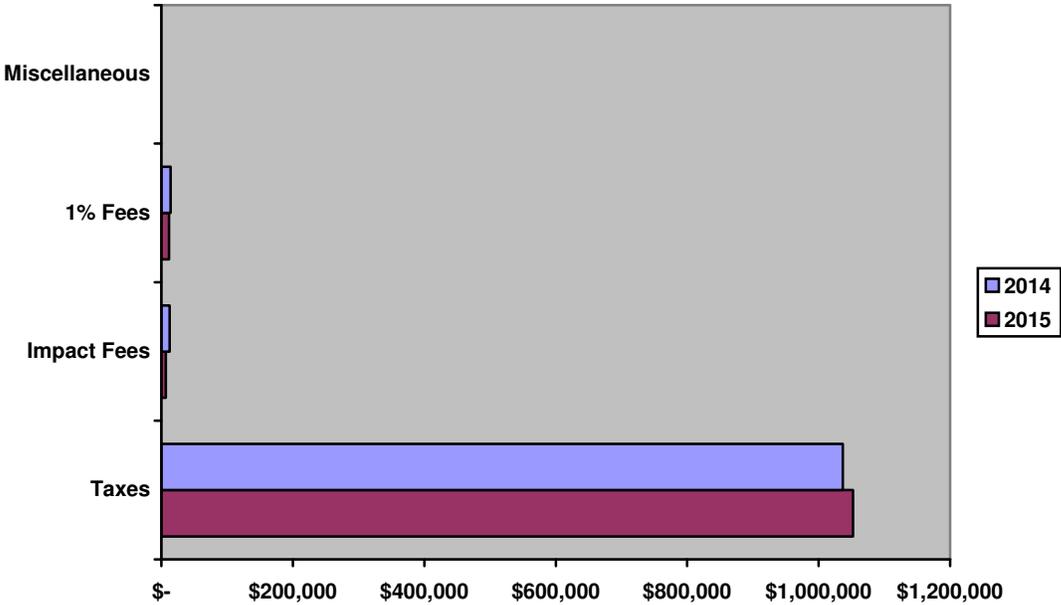
#### Highlights

- Personnel expenses are up due to increased salaries and related expenses.
- Materials and services are down due to decreases in fuel, uniforms, and repairs and maintenance.
- Depreciation is consistent with prior year amounts.
- Fees are down due to a decrease in impact fees of \$5,753 and \$2,600 in 1% funds.
- Taxes are up due to increase in tax millage from 54.57 mills in year 2014 to 56.72 mills (includes 2 mills for debt service) in year 2015.

**Expenses – Governmental Activities**



**Revenues by Source – Governmental Activities**



	Taxes	Impact Fees	1% Fees	Miscellaneous
2014	\$1,036,783	\$12,537	\$14,017	\$47
2015	\$1,052,105	\$6,784	\$11,417	\$65

## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of Daufuskie's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Daufuskie's financing requirements. In particular, 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, Daufuskie's governmental funds reported combined ending fund balances of \$142,442, a decrease of \$63,383. The major governmental funds consist of the general fund, the debt service fund, the impact fund, and the one percent fee fund. This decrease can be attributed to a decrease of \$16,924 in the general fund, a decrease of \$10,716 in the impact fund, a decrease of \$33,358 in the debt service fund, and a decrease of \$2,385 in the one percent fee fund.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The general fund balance of \$140,533 is unassigned and represents 14% of the total expenditures for operations.

## Capital Assets and Debt Administration

**Capital Assets.** Daufuskie's investment in capital assets for its governmental type activities as of June 30, 2015 amounts to \$1,371,970 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, leasehold improvements, furniture and equipment, and vehicles. Depreciation expense was \$99,474 for 2015 and \$97,929 for 2014.

### DAUFUSKIE ISLAND FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities	
	2015	2014
Land and Improvements	\$ 36,048	\$ 36,048
Buildings and Improvements	716,085	746,048
Leasehold Improvements	23,549	4,392
Furniture and Equipment	152,487	103,959
Vehicles	443,801	491,570
Total	<u>\$ 1,371,970</u>	<u>\$ 1,382,017</u>

Additional information on Daufuskie's capital assets can be found in Note 5.

**Long-term obligations.** At the end of the current fiscal year, Daufuskie had no long-term debt outstanding. Long-term obligations consisted of the accrual for vacation earned and net pension liability.

**DAUFUSKIE ISLAND FIRE DISTRICT LONG-TERM DEBT OUTSTANDING**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Net Pension Liability*	\$ 900,451	\$ -
Vacation Leave Accrued	26,894	22,116
Total	<u>\$ 927,345</u>	<u>\$ 22,116</u>

\* Daufuskie implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in accordance with generally accepted accounting principles and in reporting its proportionate share of the net pension liability.

**Economic Factors and Next Year’s Budgets**

The 2015-2016 approved operations budget of \$1,125,097 is to be funded with a tax levy of 56.98 mills estimated to raise \$1,125,097 in taxes. Additionally, 2 mills were approved for debt service which is expected to raise \$39,326.

**Requests for information**

This financial report is designed to provide a general overview of Daufuskie Island Fire District finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief, Daufuskie Island Fire District, Post Office Box 35, Daufuskie Island, South Carolina, 29915.

## **BASIC FINANCIAL STATEMENTS**

**DAUFUSKIE ISLAND FIRE DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

**ASSETS**

Cash	\$	275,548
Accounts Receivable - Net of Allowances		174,352
Due from (to) Beaufort County		(160,505)
Prepaid Expenses		10,652
Capital Assets, not being depreciated		36,048
Capital Assets, being depreciated		1,335,922
Total Assets		1,672,017

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows for Net Pension Liability		102,284
Total Deferred Outflows of Resources		102,284

Total Assets and Deferred Outflows of Resources	\$	1,774,301
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**LIABILITIES**

Noncurrent Liabilities		
Due within one year	\$	2,689
Due after one year		924,656
Total Liabilities		927,345

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows for Net Pension Liability		104,189
Total Deferred Inflows of Resources		104,189

**NET POSITION**

Unrestricted		(631,112)
Restricted for Impact Fund		1,555
Restricted for 1% fee		354
Net Investment in capital assets		1,371,970
Total Net Position		742,767

Total Liabilities, Deferred Inflows of Resources and Net Position	\$	1,774,301
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The notes to the financial statements are an integral part of this statement.

**DAUFUSKIE ISLAND FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

**EXPENSES**

Public Safety - Fire Protection	
Personnel	\$ 926,772
Materials and Services	83,835
Depreciation	99,474
Total Program Expenses	<u>1,110,081</u>

**GENERAL REVENUES**

Taxes	1,052,105
Fees	18,201
Miscellaneous	65
Total General Revenues	<u>1,070,371</u>
 Change in Net Position	 (39,710)
Net Position, Beginning of year	1,684,863
Prior Period Restatement	(902,386)
Net Position, End of year	<u><u>\$ 742,767</u></u>

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>GOVERNMENTAL FUND TYPES</b>				<b>TOTAL</b>
	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>IMPACT FUND</b>	<b>1% FEE FUND</b>	
<b>ASSETS</b>					
Cash	\$ 275,548	\$ -	\$ -	\$ -	\$ 275,548
Receivables-Net of Allowances	168,307	6,045	-	-	174,352
Due from (to) Beaufort County	(159,314)	(3,100)	1,555	354	(160,505)
Prepaid Expenses	10,652	-	-	-	10,652
Due from Other Funds	-	2,781	-	-	2,781
Total Assets	<u>\$ 295,193</u>	<u>\$ 5,726</u>	<u>\$ 1,555</u>	<u>\$ 354</u>	<u>\$ 302,828</u>
<b>LIABILITIES</b>					
Due to Other Funds	\$ 2,781	\$ -	\$ -	\$ -	\$ 2,781
Total Liabilities	<u>2,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,781</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue-Property Taxes	151,879	5,726	-	-	157,605
Total Deferred Inflows of Resources	<u>151,879</u>	<u>5,726</u>	<u>-</u>	<u>-</u>	<u>157,605</u>
<b>FUND BALANCES</b>					
Unassigned	140,533	-	-	-	140,533
Restricted	-	-	1,555	354	1,909
Total Fund Balances	<u>140,533</u>	<u>-</u>	<u>1,555</u>	<u>354</u>	<u>142,442</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 295,193</u>	<u>\$ 5,726</u>	<u>\$ 1,555</u>	<u>\$ 354</u>	<u>\$ 302,828</u>

**DAUFUSKIE ISLAND FIRE DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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

Total fund balances for governmental funds	\$	142,442
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	36,048	
Buildings and improvements, net of \$423,312 accumulated depreciation	716,085	
Leasehold improvements, net of \$15,251 accumulated depreciation	23,549	
Vehicles, net of \$582,443 accumulated depreciation	443,801	
Furniture and equipment, net of \$215,549 accumulated depreciation	152,487	
Total Capital Assets		1,371,970

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

Deferred outflows of resources:

Related to pensions	102,284	
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Deferred inflows of resources:

Related to pensions	(104,189)	
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Related to receivables	157,605	
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Total deferred outflows and inflows of resources		155,700
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Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position.

Balances at June 30, 2015 are:

Accrued Vacation Leave	(26,894)	
Net Pension Liability	(900,451)	
Total Long-Term Liabilities		(927,345)

Total net position of governmental activities	\$	742,767
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The notes to the financial statements are an integral part of this statement.

**DAUFUSKIE ISLAND FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>GOVERNMENTAL FUND TYPES</b>				<b>TOTAL</b>
	<b>GENERAL</b>	<b>DEBT SERVICE</b>	<b>IMPACT FUND</b>	<b>1% FEE FUND</b>	
<b>REVENUES</b>					
Taxes	\$ 977,849	\$ 35,788	\$ -	\$ -	\$ 1,013,637
Fees	-	-	6,784	11,417	18,201
Miscellaneous	65	-	-	-	65
Total General Revenues	<u>977,914</u>	<u>35,788</u>	<u>6,784</u>	<u>11,417</u>	<u>1,031,903</u>
<b>EXPENDITURES</b>					
Public Safety - Fire Protection					
Current					
Personnel	921,471	-	-	-	921,471
Materials and Services	70,586	-	-	13,802	84,388
Capital Outlay	-	71,927	17,500	-	89,427
Total Expenditures	<u>992,057</u>	<u>71,927</u>	<u>17,500</u>	<u>13,802</u>	<u>1,095,286</u>
Excess (deficiency) of revenues over expenditures	<u>(14,143)</u>	<u>(36,139)</u>	<u>(10,716)</u>	<u>(2,385)</u>	<u>(63,383)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	2,781	-	-	2,781
Transfers Out	(2,781)	-	-	-	(2,781)
Total Other Financing Sources (Uses)	<u>(2,781)</u>	<u>2,781</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(16,924)	(33,358)	(10,716)	(2,385)	(63,383)
Fund Balances, Beginning of year	157,457	33,358	12,271	2,739	205,825
Fund Balances, End of year	<u>\$ 140,533</u>	<u>\$ -</u>	<u>\$ 1,555</u>	<u>\$ 354</u>	<u>\$ 142,442</u>

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances -- total governmental funds	\$ (63,383)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlay (\$89,427) is less than depreciation (\$99,474).	(10,047)
Governmental funds reports pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Pension contributions	30
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	38,468
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	(4,778)
Total change in net position from governmental activities	\$ (39,710)

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

Daufuskie Island Fire District (Daufuskie) was created in 1989 for the purpose of providing fire protection to the residents of Daufuskie Island located in Beaufort County, South Carolina. Daufuskie is an autonomous government whose appointed board controls its operations and fiscal accountability. Daufuskie is a separate reporting entity and is not a component unit of any other governmental entity. Beaufort County is a related party in that the Beaufort County Council has final approval of budget, assesses millage, collects taxes and prepares payroll for Daufuskie. Beaufort County has also endorsed and approved the issuance of general obligation bonds for Daufuskie.

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

**Basis of Presentation – Government-Wide Financial Statements**

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

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

**Basis of Presentation – Fund Financial Statements**

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Basis of Presentation – Fund Financial Statements – Continued**

Daufuskie reports the following major governmental funds:

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

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

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

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

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

During the course of operations, Daufuskie has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts and allocated to the various programs as indirect cost allocations. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Daufuskie considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Operating grants and contributions and client fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by Daufuskie.

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. An annual budget for the special revenue funds are not adopted as sufficient budgetary control is achieved through restrictions included in the various funding arrangements. All annual appropriations lapse at fiscal year-end.

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

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

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

**Cash and Cash Equivalents**

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

**Inventories and Prepaid Items**

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

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

**Capital Assets**

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

<u>Assets</u>	<u>Years</u>
Buildings	15-40 years
Vehicles and Equipment	5 - 25 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then. Daufuskie did not have any items that qualify for reporting in this category. Daufuskie reports deferred outflows related to its net pension liability in the statement of net position.

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 then. Daufuskie has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports deferred inflows related to its net pension liability.

**Net Position Flow Assumptions**

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

**Fund Balance Flow Assumptions**

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by Daufuskie for specific purposes but do not meet the criteria to be classified as committed. Daufuskie may assign fund balance as deemed necessary. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenses/Expenditures**

Property taxes

The County Ordinance provides for the taxation of all real and personal property located within Daufuskie limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the County after September of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15<sup>th</sup>. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for fiscal year 2015 is 54.72 mills for operations and 2.0 mills for debt service fund.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**Deposits:** The deposits for Daufuskie at June 30, 2015 were \$275,548 and the bank balance was \$292,349. The bank balance exceeded FDIC insurance limits of \$250,000 creating uninsured/uncollateralized deposits in the amount of \$42,349.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Daufuskie will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Daufuskie does not maintain a deposit policy regarding custodial credit risk.

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2015 were as follows:

	<b>Fund Statements</b>	<b>Government-wide Statements</b>
Taxes Receivable	\$ 177,132	\$ 177,132
Accounts Receivable - GF	2,930	2,930
Total Accounts Receivable	180,062	180,062
Allowance for Doubtful Accounts	(5,710)	(5,710)
Receivables-net of allowances	<u>\$ 174,352</u>	<u>\$ 174,352</u>

The fund statements include deferred inflows of revenues of \$157,605 that represents the property taxes not collected within the sixty-day receivable recognition period.

**NOTE 4 DUE FROM BEAUFORT COUNTY**

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

**NOTE 5 PROPERTY AND EQUIPMENT**

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

<b>Governmental Activities</b>	<b>June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2015</b>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 36,048	\$ -	\$ -	\$ 36,048
Total capital assets, not being depreciated	<u>36,048</u>	<u>-</u>	<u>-</u>	<u>36,048</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,139,397	-	-	1,139,397
Leasehold improvements	17,500	21,300	-	38,800
Furniture and equipment	299,909	68,127	-	368,036
Vehicles	1,026,244	-	-	1,026,244
Total capital assets being depreciated	<u>2,483,050</u>	<u>89,427</u>	<u>-</u>	<u>2,572,477</u>
Less accumulated depreciation for:				
Buildings and improvements	393,349	29,963	-	423,312
Leasehold improvements	13,108	2,143	-	15,251
Furniture and equipment	195,950	19,599	-	215,549
Vehicles	534,674	47,769	-	582,443
Total accumulated depreciation	<u>1,137,081</u>	<u>99,474</u>	<u>-</u>	<u>1,236,555</u>
Total capital assets being depreciated, net	<u>1,345,969</u>	<u>(10,047)</u>	<u>-</u>	<u>1,335,922</u>
Governmental activities capital assets, net	<u>\$ 1,382,017</u>	<u>\$ (10,047)</u>	<u>\$ -</u>	<u>\$ 1,371,970</u>

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 PROPERTY AND EQUIPMENT - CONTINUED**

Depreciation expense was \$99,474 for the year ended June 30, 2015. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>		
Public Safety Fire Protection		\$ 99,474
Total		<u>\$ 99,474</u>

**NOTE 6 LONG-TERM OBLIGATIONS**

A schedule of changes on long-term obligations follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Annual Leave	\$ 22,116	\$ 4,778	\$ -	\$ 26,894	\$ 2,689
Net Pension Liability*	975,023	102,254	176,826	900,451	-
Total	<u>\$ 997,139</u>	<u>\$ 107,032</u>	<u>\$ 176,826</u>	<u>\$ 927,345</u>	<u>\$ 2,689</u>

\*Beginning balance was restated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as discussed in Note 9.

**Debt Limitation**

The Fire District's general obligation debt is limited by law to eight percent of the total assessed value of all taxable real and personal property of the district. The latest assessed value for tax year 2014 was \$19,146,000. The computation of legal debt limits is as follows:

Assessed value (\$19,146,000 X 8%)	\$ 1,531,680
General obligation debt at June 30, 2015	-
Excess of debt limit over general obligation debt	<u>\$ 1,531,680</u>

**Operating Leases**

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

**Pension Plan**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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.

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 LONG-TERM OBLIGATIONS - CONTINUED**

**Plan Description**

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

**Membership**

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

- 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.

**Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system 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 Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED**

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year. Total employer contributions to the pension plan from the System were \$78,227 for the year ended June 30, 2015.

Required employee contribution rates for fiscal year 2014-2015 are as follows:

**PORS**

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

Required employer contributions for fiscal year 2014-2015 are as follows:

**PORS**

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

**Net Pension Liability**

At June 30, 2015, Daufuskie reported a liability of \$900,451 for its proportionate share of the net pension liability. The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position.

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED**

**Net Pension Liability – Continued**

For the year ended June 30, 2015, Daufuskie recognized pension expense of \$78,225. At June 30, 2015, Daufuskie reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,029	\$ -
Net difference between projected and actual earnings on pension plan investments	-	104,189
Contributions subsequent to the measurement date	78,255	-
Total	\$ 102,284	\$ 104,189

The contributions applied to the pension liability of \$78,255 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The following schedule reflects the amortization of remaining deferred outflows/(inflows) of resources at June 30, 2014. Average remaining services lives of all employees provided with pension through the pension plans at June 30, 2014 was 4.856 years for PORS.

<b>Measurement Period Ending June 30,</b>	<b>PORS</b>
2015	\$ (19,813)
2016	(19,813)
2017	(19,813)
2018	(20,721)
Net Balance of Deferred Outflows/(Inflows) of Resources	\$ (80,160)

**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. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for PORS.

	<b><u>PORS</u></b>
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.5%
Projected salary increases	Levels off at 4.0%
Includes inflation at	2.75%
Benefits adjustments	Lesser of 1% or \$500

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED**

**Actuarial Assumptions and Methods - Continued**

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Member of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	5.0%	0.09	0.03
Domestic Fixed Income	13.0%	7.40	0.26
Global Fixed Income	9.0%	4.90	0.27
Global Public Equity	31.0%	7.80	2.42
Global Tactical Asset Allocation Alternatives	10.0%	5.10	0.51
	32.0%	35.40	2.39
Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u><u>8.63</u></u>

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State 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 total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

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

<b>System</b>	<b>1.0% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1.0% Increase (8.5%)</b>
PORS	\$ 1,258,223	\$ 900,451	\$ 604,249

**Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA’s Retirement Benefits’ website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

**Payables to the Pension Plan**

At June 30, 2015, Daufuskie had no outstanding payables for its pension plan.

**Compensated Absences**

Unused vacation leave liabilities are reported as incurred in the applicable governmental type activities columns in the government-wide financial statements. Daufuskie employees can accumulate annual leave for a maximum of 144 hours for vacation leave and 72 hours for sick leave. Any amounts accrued in excess of the maximum limits are not carried forward. With sufficient notification of employment termination, unused vacation leave will be paid up to the maximum accrued hours of 144. Daufuskie Fire District has no financial liability for its sick leave. Therefore, a liability of \$26,894 has been recorded to reflect the accrued vacation leave liability for each eligible employee and includes 20% for related payroll costs for taxes and retirement. Compensated absences are paid from the general fund.

**NOTE 7 RISK MANAGEMENT**

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

**DAUFUSKIE ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 RISK MANAGEMENT - CONTINUED**

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

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

**NOTE 8 SUBSEQUENT EVENTS**

Daufuskie has evaluated subsequent events through November 13, 2015, the date the financial statements were issued and determined that no event has occurred that would materially affect the financial statements.

**NOTE 9 – RESTATEMENT OF BEGINNING NET POSITION**

In accordance with generally accepted accounting principles for fiscal year 2015, Daufuskie adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required the restatement of the June 30, 2014 net position in Governmental Activities. The result is a decrease in net position at June 30, 2014 of \$902,386.

Net Position June 30, 2014, as Previously Reported	\$1,684,863
Pension Liability, Net	<u>(902,386)</u>
Net Position, June 30, 2014, as restated	<u><u>\$ 782,477</u></u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**DAUFUSKIE ISLAND FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Taxes	\$ 1,068,509	\$ 1,068,509	\$ 977,849	\$ (90,660)
Miscellaneous	-	-	65	65
Total General Revenues	<u>1,068,509</u>	<u>1,068,509</u>	<u>977,914</u>	<u>(90,595)</u>
<b>EXPENDITURES</b>				
<b>Public Safety - Fire Protection</b>				
<b>Current</b>				
<u>Personnel</u>				
Salaries	621,620	621,620	608,884	12,736
Payroll Taxes	47,642	47,642	44,694	2,948
Retirement	83,515	83,515	78,255	5,260
Group Health Insurance	170,000	170,000	152,065	17,935
Workman's Compensation	36,932	36,932	36,932	-
Unemployment Taxes	1,306	1,306	641	665
Total Personnel	<u>961,015</u>	<u>961,015</u>	<u>921,471</u>	<u>39,544</u>
<u>Materials and Services</u>				
Advertising	100	100	-	100
Printing	200	200	443	(243)
Postage	200	200	198	2
Telephone and Fax	5,250	5,250	4,523	727
Electricity	7,500	7,500	4,735	2,765
Water and Sewer	1,500	1,500	873	627
Maintenance Contract	300	300	152	148
Repairs to Equipment	9,273	9,273	4,408	4,865
Equipment Maintenance	6,033	6,033	1,244	4,789
Repairs to Facilities	6,000	6,000	5,146	854
Equipment Rental	4,400	4,400	4,132	268
Professional/Legal Services	8,073	8,073	6,158	1,915
Medical/Annual Physicals	3,500	3,500	3,239	261
Per Diem	1,000	1,000	195	805
Transportation Costs/Barge	1,500	1,500	-	1,500
Pest Control	450	450	360	90
Dues and Subscriptions	2,258	2,258	1,660	598
Commercial Package/Equipment	13,650	13,650	13,650	-
Commercial Umbrella	1,242	1,242	1,242	-
Supplies	3,755	3,755	5,221	(1,466)
Uniforms	5,557	5,557	802	4,755
Small Tools and Appliances	4,519	4,519	1,193	3,326
Educational	900	900	71	829
Training, Registration and Lodging	1,502	1,502	1,432	70
Fire Prevention	700	700	1,177	(477)
Training for Officers/Instructors	400	400	264	136
Photocopy Expenses	100	100	-	100
Other Office Supplies	500	500	1,054	(554)
Fuels and Lubricants	7,627	7,627	3,242	4,385
Vehicle Repair Parts	7,505	7,505	3,772	3,733
Office Equipment	2,000	2,000	-	2,000
Total Materials and Services	<u>107,494</u>	<u>107,494</u>	<u>70,586</u>	<u>36,908</u>
Total Expenditures	<u>1,068,509</u>	<u>1,068,509</u>	<u>992,057</u>	<u>76,452</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(14,143)	(14,143)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(2,781)	(2,781)
Total Other Financing Sources (Uses)	-	-	(2,781)	(2,781)
Net Change in Fund Balances	-	-	(16,924)	(16,924)
Fund Balances, Beginning of year	157,457	157,457	157,457	-
Fund Balances, End of year	<u>\$ 157,457</u>	<u>\$ 157,457</u>	<u>\$ 140,533</u>	<u>\$ (16,924)</u>

**DAUFUSKIE ISLAND FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>DEBT SERVICE FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Taxes	\$ 39,052	\$ 39,052	\$ 35,788	\$ (3,264)
Total Revenues	<u>39,052</u>	<u>39,052</u>	<u>35,788</u>	<u>(3,264)</u>
<b>EXPENDITURES</b>				
<b>Public Safety - Fire Protection</b>				
Capital Outlay	39,052	39,052	71,927	(32,875)
Total Capital Outlay	<u>39,052</u>	<u>39,052</u>	<u>71,927</u>	<u>(32,875)</u>
Total Expenditures	<u>39,052</u>	<u>39,052</u>	<u>71,927</u>	<u>(32,875)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(36,139)</u>	<u>(36,139)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	2,781	(2,781)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,781</u>	<u>(2,781)</u>
Net Change in Fund Balances	-	-	(33,358)	(33,358)
Fund Balances, Beginning of year	-	-	33,358	33,358
Fund Balances, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**PORS  
 Fiscal Year**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Proportion of the Net Pension Liability	NA	0.04703%								
Proportionate Share of the Net Pension Liability	NA	\$ 900,451								
Covered-Employee Payroll	NA	\$ 601,177								
Proportionate Share of the Net Pension Liability	NA	149.78%								
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	NA	67.50%								

NA - Not Available

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

	<b>PORS</b>									
	<b>Fiscal Year</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Contractually Required Contribution	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$ 78,227
Contributions in Relation to the Contractually Required Contribution	NA	NA	NA	NA	NA	NA	NA	NA	NA	78,227
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA	601,177
Contributions as a Percentage of Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA	13.01%

NA - Not Available

## **COMPLIANCE SECTION**



# CROWLEY WECHSLER & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS

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BEAUFORT ~ MOUNT PLEASANT

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

To the Board of Commissioners  
Daufuskie Island Fire District  
Daufuskie Island, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Daufuskie Island Fire District ( Daufuskie), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Daufuskie's basic financial statements, and have issued our report thereon dated November 13, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Daufuskie'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 Daufuskie's internal control. Accordingly, we do not express an opinion on the effectiveness of Daufuskie's internal control.

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

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

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Crowley Wechsler & Associates LLC  
Beaufort, South Carolina  
November 13, 2015