

LADY'S ISLAND - ST. HELENA ISLAND
FIRE DISTRICT
ANNUAL AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1996

ISSUED BY

MIMS, MELLEN, HAZEL, & CO., P.A.
P.O. BOX 806 - 603 SCOTTS STREET
BEAUFORT, SOUTH CAROLINA 29902
(803) 524-7503

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
ANNUAL AUDIT REPORT
JUNE 30, 1996

TABLE OF CONTENTS

	<u>PAGE</u>
<u>GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
Independent Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types	4 - 5
Notes to Financial Statements	6 - 13
<u>COMPLIANCE REPORTS</u>	
Independent Auditors' Report on Schedule of Federal Financial Assistance	14
Schedule of Federal Financial Assistance	15
Independent Auditors' Report on Compliance with the General Requirements Applicable to Major Federal Financial Assistance Programs	16
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	17
Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs	18
Independent Auditors' Compliance Report Based on an Audit of General Purpose Financial Statements Performed In Accordance with Government Auditing Standards	19
Independent Auditors' Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	20

MIMS, MELLEN, HAZEL & CO., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 806, 603 SCOTTS STREET
BEAUFORT, SOUTH CAROLINA 29901-0806
(803) 524-7503 FAX (803) 521-1022

DAVID H. MIMS, CPA
JAMES C. MELLEN, CPA
ALICE B. HAZEL, CPA
ANN A. McDUFF, CPA

RENEE G. SCHWENDIMAN, CPA
MYRNA B. BRELAND, CPA
LISA T. WECHSLER, CPA

HAMPTON OFFICE
201 FIRST STREET W.
P.O. BOX 662
HAMPTON, S.C. 29924
(803) 943-2242 FAX (803) 943-5839

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lady's Island - St. Helena Island Fire District
Beaufort, South Carolina

We have audited the accompanying general purpose financial statements of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 1996. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Government." Those standards and OMB A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued a report dated October 23, 1996, on our consideration of the Lady's Island-St. Helena Island Fire District's internal control structure and a report dated October 23, 1996, on its compliance with laws and regulations.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lady's Island - St. Helena Island Fire District at June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1996

	<u>GOVERNMENTAL FUND TYPES</u>			<u>ACCOUNT GROUPS</u>		<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	
ASSETS						
Cash - Unrestricted	\$ 77,086	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,086
Cash - Debt Escrow	0	0	38,779	0	0	38,779
Taxes Receivable	17,423	0	1,434	0	0	18,857
Due from Beaufort County Treasurer	419,575	55,114	39,864	0	0	514,553
Due from Other Funds	6,000	0	0	0	0	6,000
Prepaid Insurance	7,309	0	0	0	0	7,309
Amount Available in Debt Service Fund	0	0	0	0	80,077	80,077
Amount to be Provided for:						
Retirement of General Long-Term Debt	0	0	0	0	788,977	788,977
Property and Equipment	0	0	0	1,794,679	0	1,794,679
TOTAL ASSETS	<u>\$ 527,393</u>	<u>\$ 55,114</u>	<u>\$ 80,077</u>	<u>\$ 1,794,679</u>	<u>\$ 869,054</u>	<u>\$ 3,326,317</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Salaries and Benefits Payable	\$ 30,770	\$ 0	\$ 0	\$ 0	\$ 53,337	\$ 84,107
Accounts Payable	10,058	0	0	0	0	10,058
Due to Other Funds	0	0	6,000	0	0	6,000
Bonds and Notes Payable	0	0	0	0	815,717	815,717
Total Liabilities	<u>40,828</u>	<u>0</u>	<u>6,000</u>	<u>0</u>	<u>869,054</u>	<u>915,882</u>
Fund Balances						
Investment in General Fixed Assets	0	0	0	1,794,679	0	1,794,679
Undesignated	281,492	0	0	0	0	281,492
Designated	205,073	55,114	74,077	0	0	334,264
Total Fund Balances	<u>486,565</u>	<u>55,114</u>	<u>74,077</u>	<u>1,794,679</u>	<u>0</u>	<u>2,410,435</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 527,393</u>	<u>\$ 55,114</u>	<u>\$ 80,077</u>	<u>\$ 1,794,679</u>	<u>\$ 869,054</u>	<u>\$ 3,326,317</u>

See accompanying notes and accountants' report.

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1996

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTALS (MEMORANDUM ONLY)
Revenues				
Property Taxes	\$ 1,116,058	\$ 0	\$ 91,880	\$ 1,207,938
Interest	27,453	1,249	2,331	31,033
Penalties	8,442	0	699	9,141
Merchants Inventory Tax	2,857	0	0	2,857
Fire Impact Fees	0	53,865	0	53,865
Donations	20	0	0	20
Total Revenues	<u>1,154,830</u>	<u>55,114</u>	<u>94,910</u>	<u>1,304,854</u>
Expenditures				
Salaries	625,322	0	0	625,322
Payroll Taxes	46,803	0	0	46,803
Retirement	65,558	0	0	65,558
Health Insurance	63,232	0	0	63,232
Unemployment	4,634	0	0	4,634
Workman's Compensation	53,844	0	0	53,844
Tort Insurance	1,133	0	0	1,133
Vehicle Insurance	9,380	0	0	9,380
Building Insurance	598	0	0	598
Other Insurance	3,040	0	0	3,040
Office Supplies	2,063	0	0	2,063
Printing	551	0	0	551
Dues and Subscriptions	310	0	0	310
Annual Audit	2,400	0	0	2,400
Travel and Training	4,031	0	0	4,031
Repairs and Maintenance - Vehicles	13,555	0	0	13,555
Repairs and Maintenance - General	3,401	0	0	3,401
Repairs and Maintenance - Buildings	7,254	0	0	7,254
Fuel	9,019	0	0	9,019
Uniform Replacement	22,904	0	0	22,904
Cleaning Supplies	4,753	0	0	4,753
Pest Control	250	0	0	250
Utilities	13,116	0	0	13,116
Telephone	2,323	0	0	2,323
Medical and Physicals	7,246	0	0	7,246
Small Tools	1,427	0	0	1,427
Communication Equipment	1,309	0	0	1,309
Vehicle Supplies	288	0	0	288
Hydrant Rental	20,633	0	0	20,633
Miscellaneous	1,545	0	0	1,545
Impact Study Fee	2,500	0	0	2,500
Capital Outlay	25,151	0	0	25,151
Debt Service Payments	0	0	77,626	77,626
Total Expenditures	<u>1,019,573</u>	<u>0</u>	<u>77,626</u>	<u>1,097,199</u>
Excess (Deficiency) of Revenues Over Expenditures	135,257	55,114	17,284	207,655
Fund Balances, Beginning of Year	<u>351,308</u>	<u>0</u>	<u>56,793</u>	<u>408,101</u>
Fund Balances, End of Year	<u>\$ 486,565</u>	<u>\$ 55,114</u>	<u>\$ 74,077</u>	<u>\$ 615,756</u>

See accompanying notes and accountants' report.

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1996

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Property Taxes	\$ 1,034,967	\$ 1,116,058	\$ 81,091
Interest	0	27,453	27,453
Penalties	0	8,442	8,442
Merchants Inventory Tax	0	2,857	2,857
Donations	0	20	20
Total Revenues	<u>1,034,967</u>	<u>1,154,830</u>	<u>119,863</u>
Expenditures			
Salaries	664,818	625,322	39,496
Payroll Taxes	50,859	46,803	4,056
Retirement	68,078	65,558	2,520
Health Insurance	77,972	63,232	14,740
Unemployment	4,481	4,634	(153)
Workmen's Compensation	42,109	53,844	(11,735)
Tort Insurance	1,250	1,133	117
Vehicle Insurance	13,130	9,380	3,750
Building Insurance	498	598	(100)
Other Insurance	0	3,040	(3,040)
Office Supplies	2,788	2,063	725
Printing	350	551	(201)
Dues and Subscriptions	200	310	(110)
Annual Audit	2,400	2,400	0
Travel and Training	4,000	4,031	(31)
Repairs and Maintenance - Vehicles	11,700	13,555	(1,855)
Repairs and Maintenance - General	4,450	3,401	1,049
Repairs and Maintenance - Buildings	4,860	7,254	(2,394)
Fuel	11,700	9,019	2,681
Uniform Replacement	14,976	22,904	(7,928)
Cleaning Supplies	3,270	4,753	(1,483)
Pest Control	0	250	(250)
Utilities	17,300	13,116	4,184
Telephone	2,700	2,323	377
Medical and Physicals	7,445	7,246	199
Small Tools	500	1,427	(927)
Communication Equipment	0	1,309	(1,309)
Vehicle Supplies	0	288	(288)
Hydrant Rental	20,633	20,633	0
Miscellaneous	0	1,545	(1,545)
Impact Fee Study	2,500	2,500	0
Capital Outlay	0	25,151	(25,151)
Total Expenditures	<u>1,034,967</u>	<u>1,019,573</u>	<u>15,394</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	135,257	<u>\$ 135,257</u>
Fund Balances, Beginning of Year		<u>351,308</u>	
Fund Balances, End of Year		<u>\$ 486,565</u>	

See accompanying notes and accountants' report.

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 1996

	<u>DEBT SERVICE FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues			
Property Taxes	\$ 85,214	\$ 91,880	\$ 6,666
Interest	0	2,331	2,331
Penalties	<u>0</u>	<u>699</u>	<u>699</u>
Total Revenues	<u>85,214</u>	<u>94,910</u>	<u>9,696</u>
Expenditures			
Principal	21,300	20,675	625
Interest	<u>63,914</u>	<u>56,951</u>	<u>6,963</u>
Total Expenditures	<u>85,214</u>	<u>77,626</u>	<u>7,588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	17,284	<u>\$ 17,284</u>
Fund Balances, Beginning of Year		<u>56,793</u>	
Fund Balances, End of Year		<u>\$ 74,077</u>	

See accompanying notes and accountants' report.

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lady's Island - St. Helena Island Fire District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. REPORTING ENTITY

Generally accepted accounting principles, as established by the Governmental Accounting Standards Board, require that the financial reporting entity's financial statements include the financial operation of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criteria for including organizations as component units within the reporting entity include legal separation of the organization, selection of governing authority, designation of management, ability to influence operations, accountability for fiscal matters, and financial interdependency. Based on the above reporting criteria, all activities or organizations considered to be part of the Lady's Island - St. Helena Fire District are included in the financial statements.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Lady's Island - St. Helena Island Fire District are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising its assets, liabilities, fund balances, revenues and expenditures. The minimum number of funds maintained are consistent with the requirements of the law.

The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Lady's Island - St. Helena Island Fire District.

GOVERNMENTAL FUNDS

1. General Fund

The General Fund is the general operating fund of the Lady's Island - St. Helena Island Fire District. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

Special Revenue Funds are used to account for the specific revenue sources that are legally restricted to expenditures for specific purposes. This fund is used to account for fire impact fees assessed on new development and will be expended on major capital acquisitions.

3. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt.

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

4. Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets.

Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of the results of operations.

a. General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the Fire District. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings and equipment (e.g. roadways, pathways, etc.) are not capitalized along with other general fixed assets. No depreciation is provided on general fixed assets.

b. General Long-Term Debt Account Group

This group of accounts is established to account for all long-term obligations of the Fire District. Long-term liabilities expected to be repaid from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

C. BASIS OF ACCOUNTING

The Fire District maintains the modified accrual method of accounting. Under the modified accrual method, revenues are recognized when measurable and available. Expenditures are recorded when incurred. Capital expenditures and payments of principal on long-term debt are considered to be expenditures when paid.

D. FIXED ASSETS

General fixed assets are recorded at original cost or appraised value for donated assets. No depreciation has been recorded on general fixed assets. Interest cost, if any, on fixed assets purchased is not capitalized. However, interest on constructed assets is capitalized.

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. LONG-TERM DEBT

Long-term debt for the general fund is included in the general long-term debt account group.

F. FUND BALANCE

The amounts shown in the fund balance section of the balance sheet reflects fund balance as defined by "generally accepted accounting principles" in NCGA Statement #1.

G. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

H. TOTALS (MEMORANDUM ONLY) COLUMNS

In the accompanying financial statements, the "Totals (Memorandum Only)" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis.

I. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire District.

NOTE 2 LIABILITIES

A. PENSION PLAN OBLIGATIONS

The Organization participates in the South Carolina Police Officers Retirement System. The South Carolina Police Officers Retirement System is a cost-sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board.

Both employees and employers are required to contribute to the plan under authority of Title 9 of the South Carolina Code of Laws. All employers contribute at the actuarially required contribution rates. A summary of the required contributions rates and the amounts contributed to the plan follows:

<u>CONTRIBUTION INFORMATION</u>	<u>SCPORS</u>
Total Current Year Payroll	\$ 626,731
Covered Payroll	626,731
Employee Contributions	40,738
Employee Contribution Rate (based upon salary)	6.5%
Employer Contributions	64,553
Employer Contribution Rate (based upon salary)	10.3%

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 2 LIABILITIES - Continued

A. PENSION PLAN OBLIGATIONS - Continued

Contribution rates for the previous two years have been 6.5% for employee contributions and 10.3% for employer contributions.

In addition to the above rates, participating employers of the South Carolina Police Officers Retirement System contribute .2% of payroll to provide a group life insurance benefit and .2% payable to provide an accidental death benefit for their participants.

The South Carolina Police Officers Retirement System offers retirements and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plan's provisions are established under Title 9 of the South Carolina Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

B. ACCRUED COMPENSATED ABSENCES

Regular employees who are separated from Lady's Island - St. Helena Island Fire District service will be paid for all accrued unused vacation hours up to a maximum of 640 hours. The Fire District has no financial liability for its unused sick leave.

The accumulated unpaid vacation earned, but not taken, by Fire District employees as of June 30, 1996 totaled \$53,337 computed at each employee's pay rate and includes an estimate of benefits payable that are related to the vacation pay.

NOTE 3 RELATED PARTY TRANSACTIONS

The Fire District has a related party transaction with Beaufort County, South Carolina because it receives the major portion of its revenues through property taxes assessed and collected by Beaufort County.

NOTE 4 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 projected assessed value as of March 1996 was \$38,894,904. The computation of legal debt limits is as follows:

General obligation debt limit - (\$ 38,894,904 X 8%)	\$ 3,111,592
General obligation debt at June 30, 1996	<u>(815,716)</u>
Excess of debt limit over general obligation debt	<u>\$ 2,295,876</u>

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

NOTE 5 LONG-TERM DEBT

Long-term debt at June 30, 1996 consisted of the following:

General Obligation Bonds

\$30,000 General Obligation Bond, Series A of 1977 due in annual installments of \$1,749 beginning January 26, 1978 through January 26, 2017. Payments include interest of 5%.	\$ 18,951
\$529,400 General Obligation Bonds of 1990 due in annual installments of \$50,463 beginning October 25, 1991 through October 24, 2010. Payments include interest at 7.125%.	455,406
\$354,100 General Obligation Bonds of 1993 due in annual installments of \$25,414 beginning May 1, 1993 and continuing through and including May 1, 2032. Payments include interest of 6.625%.	341,360
	<u>\$ 815,717</u>

The total requirements to pay all debt outstanding as of June 30, 1996 is \$1,708,578 including estimated interest payments of \$892,862 and is as follows:

<u>Year Ended June 30</u>	<u>Total Bond Requirements</u>	<u>Sinking Fund Requirements</u>
1997	\$ 77,626	\$ 6,000
1998	77,626	7,587
1999	77,626	7,587
2000	77,626	7,587
2001	77,626	7,587
Thereafter	<u>1,320,448</u>	<u>2,541</u>
Total	<u>\$ 1,708,578</u>	<u>\$ 38,889</u>

Changes in Long-Term Debt:

	<u>Balance</u> <u>June 30, 1995</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 1996</u>
General Obligation Bonds 1977-Series A	\$ 19,722	\$ 0	\$ 771	\$ 18,951
General Obligation Bonds 1990	472,568	0	17,161	455,407
General Obligation Bonds 1995	344,101	0	2,742	341,359
Liability for Compensated Absences	<u>43,405</u>	<u>9,932</u>	<u>0</u>	<u>53,337</u>
	<u>\$ 879,796</u>	<u>\$ 9,932</u>	<u>\$ 20,674</u>	<u>\$ 869,054</u>

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 6 CASH AND INVESTMENTS

A. CASH AND TEMPORARY INVESTMENTS

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

Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposits, or repurchase agreements. Deposits totaled \$115,865 of which \$100,000 was insured by the FDIC. The balance of \$15,865 was uncollateralized.

B. CASH RESTRICTED

The Fire District has reserved \$38,779 for the purpose of meeting Sinking Fund bond requirements.

NOTE 7 HISTORY

The Fire District was established on March 31, 1972 for the purpose of providing fire protection for the residents of Lady's Island and St. Helena Island.

NOTE 8 DESIGNATED FUND BALANCES

1. GENERAL FUND

The designated fund balance of \$205,073 represents the amount paid on July 22, 1996, out of the cash held by Beaufort County Treasurer as a deposit on two new firetrucks.

2. SPECIAL REVENUE FUND

The Special Revenue Fund consists of fire impact fees that are assessed on new development. The designated amount of \$55,114 is to be used for major capital acquisitions.

3. DEBT SERVICE FUND

Annual deposits equal to ten percent of the amount needed to pay the yearly installment of principal and interest on outstanding bonds are accumulated in the escrow account. These deposits are required until the account has accumulated an amount equal to that needed to pay the principal and interest on the bond for the next succeeding year. These funds are to be maintained until the bonds are paid.

The designated fund balance of \$74,077 represents the cash in the escrow account, the amount due from the Beaufort County Treasurer, and the property taxes receivable. All of these funds have been assessed and set aside to repay the outstanding debt.

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

NOTE 9 GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	Balance <u>July 1, 1995</u>	<u>Additions</u>	Adjustments and <u>Retirements</u>	Balance <u>June 30, 1996</u>
Land and Buildings	\$ 615,576	\$ 0	\$ 0	\$ 615,576
Vehicles	968,776	0	0	968,776
Fire Fighting Equipment	99,799	0	0	99,799
Communications Equipment	53,445	14,571	0	68,016
Fixtures and Appliances	15,433	0	0	15,433
Office Equipment and Furniture	16,499	2,064	0	18,563
Machinery and Equipment	<u>0</u>	<u>8,516</u>	<u>0</u>	<u>8,516</u>
	<u>\$ 1,769,528</u>	<u>\$ 25,151</u>	<u>\$ 0</u>	<u>\$ 1,794,679</u>

The Fire District has no capital or operating leases.

NOTE 10 BUDGETS AND BUDGETARY ACCOUNTING

The Fire District follows these procedures in establishing the budgetary data reflected in the financial statements.

- A. Prior to May 1, the commission submits to the County Council a proposed operating budget for its General Fund for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the county levies taxes to meet the approved expenditures.
- B. Public hearings are conducted to obtain taxpayer comments as required by Section 4-9-130 of the South Carolina statutes.
- C. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- D. The Treasurer is authorized to transfer budgeted amounts between accounts within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the County Council. It is unlawful to expend or contract for an expenditure in any fiscal year more than the amount budgeted in each fund pursuant to Section 4-9-140 of the South Carolina statutes.
- E. Revenues in excess of the current budget ordinance may be expended as directed by the revenue source or for the express purpose for which the funds were generated without further approval by the County Council.
- F. The Fire District did not budget for the Combined Special Revenues Fund, therefore, no Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types has been presented.

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 11 INSURANCE

The Fire District's insurance coverage is through the State of South Carolina Insurance Reserve Fund. The following coverage was in effect on June 30, 1996:

Vehicles	\$963,059 Vehicle Cost \$200 Deductible for Comprehensive and Collision \$1,000,000 Umbrella for Auto Liability \$1,000 Medical payments (each person)
Building and Personal Property	\$514,788 Building Limit \$24,076 Contents Limit \$250 Deductible 80% Coinsurance
Equipment	\$319,702 Property Value \$250 Deductible 100% Coinsurance
General Tort Liability	Directors, Clerical Personnel, and Volunteers

NOTE 12 DUE TO/FROM OTHER FUNDS

The amount of \$6,000 is due to the General Fund from the Debt Service Fund because it was inadvertently recorded as an expenditure in the General Fund. This amount represented the annual escrow deposit and should have been recorded in the Debt Service Fund.

NOTE 13 DUE FROM BEAUFORT COUNTY

The 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 14 SUBSEQUENT EVENTS

On July 22, 1996, the Fire District placed an order for a Pierce Saber Pumper firetruck for \$271,470 and a Pierce 100 foot platform firetruck for \$627,609 which will be delivered in February and March, 1997, respectively. The total down payment for these vehicles was \$245,073, of which \$40,000 came from Special Revenue Fund-Fire Impact Fee and \$205,073 came from the General Fund. The balance owed will be financed by a lease purchase agreement or a note payable.

NOTE 15 SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The Fire District has ongoing litigation that would be covered by their vehicle or tort liability insurance.

COMPLIANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Board of Commissioners
Lady's Island - St. Helena Fire District
Beaufort, South Carolina

We have audited the general purpose financial statements of the Lady's Island - St. Helena Island Fire District, for the year ended June 30, 1996, and have issued our report thereon dated October 23, 1996. These general purpose financial statements are the responsibility of the Lady's Island - St. Helena Island Fire District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Lady's Island - St. Helena Island Fire District, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 1996

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>FUND BALANCE AS OF JULY 1, 1995</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE AS OF JUNE 30, 1996</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
None			\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

The Fire District has three outstanding loans from the Rural Development from prior years.

<u>Year</u>	<u>June 30, 1996 Balance</u>
1977	\$ 18,951
1990	455,406
1992	341,360
	<u>\$ 815,717</u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
THE GENERAL REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Commissioners
Lady's Island - St. Helena Fire District
Beaufort, South Carolina

We have audited the financial statements of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 23, 1996.

We have applied procedures to test the Lady's Island - St. Helena Island Fire District's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1996:

Civil Rights

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Lady's Island - St. Helena Island Fire District's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Lady's Island - St. Helena Island Fire District, had not complied, in all material respects, with those requirements.

This report is intended for the information of the management and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Commissioners
Lady's Island - St. Helena Fire District
Beaufort, South Carolina

We have audited the financial statements of the Lady's Island - St. Helena Island Fire District as of and for the year ended June 30, 1996, and have issued our report thereon dated October 23, 1996.

We have also audited the Lady's Island - St. Helena Island Fire District's compliance with the requirements governing escrow requirements and property records that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1996. The management of the Lady's Island - St. Helena Island Fire District is responsible for the Lady's Island - St. Helena Island Fire District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Governmental Auditing Standards, issued by the Comptroller General of the United States, Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Lady's Island - St. Helena Island Fire District compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Lady's Island - St. Helena Island Fire District complied, in all material respects, with the requirements governing escrow requirements and maintenance of property records that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1996.

This report is intended for the information of the management and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Commissioners
Lady's Island - St. Helena Fire District
Beaufort, South Carolina

We have audited the general purpose financial statements of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 23, 1996. We have also audited the Lady's Island - St. Helena Island Fire District's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 23, 1996.

We conducted our audits in accordance with generally accepted auditing standards; Governmental Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the Lady's Island - St. Helena Island Fire District complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1996, we considered the Fire District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fire District's general purpose financial statements and on its compliance with requirements applicable to major programs and not to provide assurance on the internal control structure. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed the policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated October 23, 1996.

The management of the Lady's Island - St. Helena Island Fire District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following category:

Civil Rights

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, the Lady's Island - St. Helena Island Fire District did not receive or expend any federal financial assistance. The outstanding balances at June 30, 1996, due to the Farmer's Home Administration exceeded \$300,000 which meets the requirements of a major program.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the management and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996

INDEPENDENT AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT
OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Lady's Island - St. Helena Fire District
Beaufort, South Carolina

We have audited the general purpose financial statements of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Lady's Island - St. Helena Island Fire District, is the responsibility of the Lady's Island - St. Helena Island Fire District's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Fire District's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Governmental Auditing Standards.

This report is intended for the information of the management and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Lady's Island - St. Helena Fire District
Beaufort, South Carolina

We have audited the general purpose financial statements of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

The management of the Lady's Island - St. Helena Island Fire District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Lady's Island - St. Helena Island Fire District, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Separation of duties is an important element of internal control. Due to the small size of the organization, ideal separation of duties is not possible.

The Fire District maintained a cash balance of \$15,865 that was uncollateralized at June 30, 1996.

Except for insurance purposes, the Fire District does not maintain a complete property schedule.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Mims, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
Beaufort, South Carolina
October 23, 1996