

**LADY'S ISLAND - ST. HELENA ISLAND**

**FIRE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2004**

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2004**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities of each major fund of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 2004 which collectively comprise the Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lady's Island - St. Helena Island Fire District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Lady's Island - St. Helena Island Fire District as of June 30, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments and Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments as of July 1, 2003.

The management discussion and analysis and budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Mellen & Wechsler, P.A.  
Beaufort, South Carolina  
December 3, 2004

# **Lady's Island - St. Helena Island Fire District**

## **Management's Discussion and Analysis**

As management of Lady's Island - St. Helena Island Fire District (LISH), we offer readers of LISH's financial statements this narrative overview and analysis of the financial activities of LISH for the fiscal year ended June 30, 2004.

### **Financial Highlights**

- The assets of LISH exceed its liabilities at the close of the most recent fiscal year by \$2,043,195 (net assets). Of this amount, \$541,474 (restricted net assets) represents cash held by Beaufort County for debt service payments and impact fees. Another \$1,652,988 represents the investment in capital assets less depreciation and debt on those assets. The remaining balance of \$(151,267) represents the deficit in unrestricted net assets. LISH's total net assets increased by \$240,069.
- As of the close of the current fiscal year LISH's governmental funds reported a combined ending fund balance of \$468,478, an increase of \$61,583.

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

This discussion and analysis is intended to serve as an introduction to LISH's basic financial statements. LISH'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 LISH's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how LISH's net assets changed during the most recent fiscal year. Changes in net assets 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 LISH that are supported by general revenues such as taxes and fees. The governmental activities of LISH include programs related to public safety for fire protection. LISH currently has no business type activities.

The government-wide financial statements can be found on pages 9 thru 10 of this report.

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

LISH maintains three 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.

LISH adopts an annual budget for all funds. A schedule comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 thru 14 of this report,

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 thru 24 of this report.

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a public government's financial position. In the case of Lady's Island - St. Helena Island Fire District assets exceeded liabilities by \$2,043,195. Since this is the first year of GASB Statement No. 34 implementation, comparative information has not been presented. Comparative data will be presented beginning in the 2005 fiscal year end. The following table reflects the condensed government-wide statement of net assets.

<b>LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT NET ASSETS</b>	
	<b>Governmental Activities</b>
	<b>2004</b>
Current and Other Assets	\$ 468,478
Capital Assets	2,018,301
Total Assets	<u>2,486,779</u>
Long-term Liabilities Outstanding	443,584
Other Liabilities	-
Total Liabilities	<u>443,584</u>
<b>Net Assets</b>	
Investment in Capital Assets, Net of Related Debt	1,652,988
Unrestricted	(151,267)
Restricted	<u>541,474</u>
Total Net Assets	<u>\$ 2,043,195</u>

The largest portion of LISH's net assets \$1,652,988 (81 percent) reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although LISH's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2004, LISH had outstanding long-term debt of \$365,313 for the purchase of fire trucks. The \$541,474 (27 percent) represents the assets restricted for payment of debt and impact fees. The remaining net assets of \$(151,267) represent the deficit in the unrestricted net assets.

At the end of the current fiscal year, Lady's Island - St. Helena Island Fire District is able to report positive balances in the impact fund. However, the general fund and the debt service fund have a deficit balance of \$151,267 and \$230,759, respectively, that is included in the net assets.

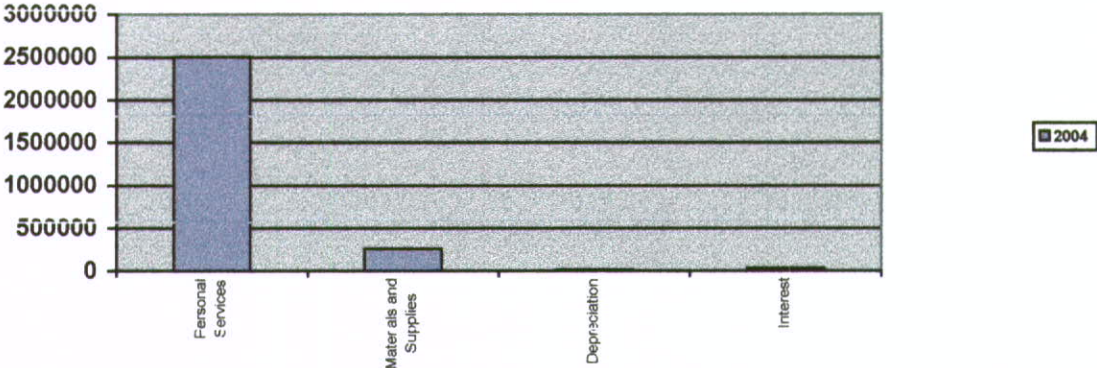
**Governmental activities.** LISH's total net assets increased by \$240,069. Key elements of this increase are as shown in the following table.

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT CHANGE IN NET ASSETS**

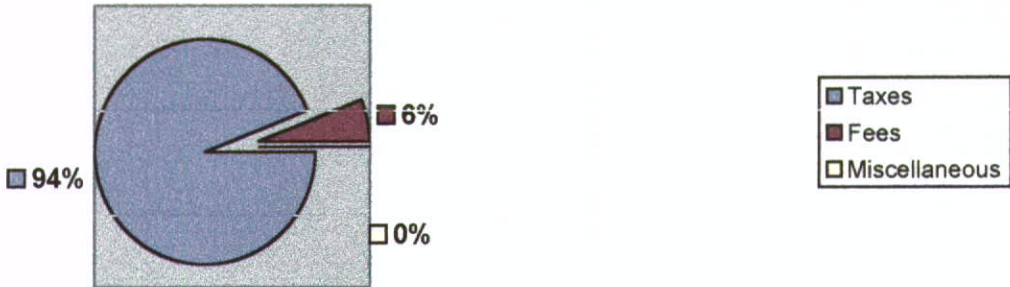
	<b>Governmental Activities</b>
	<b>2004</b>
<b>Expenses</b>	
Public Safety - Fire Protection	
Personal Services	\$ 2,502,258
Materials and Services	260,408
Depreciation	161,695
Interest	33,047
Total expenses	<u>2,957,408</u>
<b>General Revenues</b>	
Taxes	2,998,613
Fees	195,712
Miscellaneous	3,152
Total general revenues	<u>3,197,477</u>
Increase in net assets	240,069
Net assets – beginning	<u>1,803,126</u>
Net assets – ending	<u>\$ 2,043,195</u>



**Expenses – Governmental Activities**



**Revenues by Source – Governmental Activities**



## Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, LISH's governmental funds reported combined ending fund balances of \$468,478, an increase of \$61,583. The major governmental funds consists of the general fund, the debt service fund, and the impact fund. This increase is attributable to the collection of impact fees with revenues in excess of expenditures by \$93,355. Another \$6,251 can be attributed to the debt service fund excess of revenues over expenditures. The general fund experienced a deficit of revenues over expenditures in the amount of \$38,023. This deficit is due primarily to the fact the tax revenues were short of the budgeted amount by \$131,343 while expenditures were under budget by \$79,687.

## Capital Assets and Debt Administration

**Capital Assets.** LISH's investment in capital assets for its governmental type activities as of June 30, 2004 amounts to \$1,652,988 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, leasehold improvements, furniture and equipment, and vehicles. Increases in LISH's investment in capital assets for the current fiscal year was \$29,109 for a vehicle and software. Depreciation expense was \$161,695 for the year.

### LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities	
	2004	
Land and Improvements	\$	68,597
Buildings and Improvements		563,598
Furniture and Equipment		66,531
Vehicles		1,319,575
Total	\$	2,018,301

Additional information on LISH's capital assets can be found in note 5 on page 21 of this report.

**Long-term debt.** At the end of the current fiscal year, LISH had long-term debt outstanding in the amount of \$365,313. The debt was attributable to the acquisition of fire trucks.

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT LONG-TERM DEBT OUTSTANDING**

	<u>Governmental Activities</u>
	<u>2004</u>
Notes Payable	\$ 365,313
Total	<u>\$ 365,313</u>

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

After a mandatory county-wide reassessment, the estimated value of a mill was determined to be \$110,662, up from \$77,091 for tax year 2003. The County has set millage at 27.1 for the general fund and 1.4 for the debt service fund thereby yielding estimated collections of \$2,998,940 and \$154,927 for next year's budget. Because of the uncertainties involved in the initial year of reassessment (i.e., appeals, refunds, etc.), it is unknown when the deficits in the fund balances will be restored to a positive balance.

**Requests for Information**

This financial report is designed to provide a general overview of Lady's Island - St. Helena 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, Lady's Island - St. Helena Island Fire District, 237 Sea Island Parkway, Lady's Island, South Carolina, 29907.

## **BASIC FINANCIAL STATEMENTS**

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

**ASSETS**

Cash	\$ 2,599
Receivables	52,200
Due from Beaufort County Treasurer	413,679
Property and Equipment	<u>2,018,301</u>
Total Assets	<u>2,486,779</u>

**LIABILITIES**

Annual Leave	78,271
Bonds, Notes & Leases Payable	<u>365,313</u>
Total Liabilities	<u>443,584</u>

**NET ASSETS**

Unrestricted	(151,267)
Restricted for Debt Service	(230,759)
Restricted for Impact Fund	772,233
Investment in Capital Assets, Net of Related Debt	<u>1,652,988</u>
Total Net Assets	<u>\$ 2,043,195</u>

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

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

**EXPENSES**

Personal Services	\$ 2,502,258
Materials and Supplies	260,408
Depreciation	161,695
Interest	33,047
Total Expenses	<u>2,957,408</u>

**GENERAL REVENUES**

Taxes	2,998,613
Fees	195,712
Miscellaneous	3,152
Total General Revenues	<u>3,197,477</u>
Increase in Net Assets	240,069
Net Assets, beginning of year	<u>1,803,126</u>
Net Assets, end of year	<u>\$ 2,043,195</u>

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

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	GOVERNMENTAL FUND TYPES			TOTAL
	GENERAL FUND	DEBT SERVICE FUND	SPECIAL REVENUE FUND	
<b>ASSETS</b>				
Cash	\$ 2,599	\$ -	\$ -	\$ 2,599
Receivables	49,581	2,619	-	52,200
Due from Beaufort County Treasurer	(125,176)	(233,378)	772,233	413,679
Total Assets	<u>\$ (72,996)</u>	<u>\$ (230,759)</u>	<u>\$ 772,233</u>	<u>\$ 468,478</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Unreserved	(72,996)	(230,759)	772,233	468,478
Total Fund Balances	<u>(72,996)</u>	<u>(230,759)</u>	<u>772,233</u>	<u>468,478</u>
Total Liabilities and Fund Balances	<u>\$ (72,996)</u>	<u>\$ (230,759)</u>	<u>\$ 772,233</u>	<u>\$ 468,478</u>

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

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004**

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

Total fund balances for governmental funds	\$	468,478
Capital assets used in LISH's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and Improvements	\$	68,597
Buildings and Improvements, net of \$245,567 accumulated depreciation		563,598
Vehicles, net of \$1,058,168 accumulated depreciation		1,319,575
Furniture and equipment, net of \$21,884 accumulated depreciation		<u>66,531</u>
Total Capital Assets		2,018,301
Long-term liabilities applicable to LISH's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets. Balances at June 30, 2004 are:		
Annual Leave		(78,271)
Notes Payable		<u>(365,313)</u>
Total Long-Term Liabilities		<u>(443,584)</u>
Total net assets of governmental activities	\$	<u>2,043,195</u>



**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	GOVERNMENTAL FUND TYPES			TOTAL
	GENERAL FUND	DEBT SERVICE FUND	IMPACT FUND	
<b>REVENUES</b>				
Taxes	\$ 2,740,119	\$ 258,494	\$ -	\$ 2,998,613
Fees	13,174	-	182,538	195,712
Miscellaneous	459	-	2,693	3,152
<b>Total Revenues</b>	<u>2,753,752</u>	<u>258,494</u>	<u>185,231</u>	<u>3,197,477</u>
<b>Expenditures</b>				
Public Safety - Fire Protection				
Personal Services	2,502,258	-	-	2,502,258
Materials and Services	260,408	-	-	260,408
Capital Outlay	29,109	-	-	29,109
Debt Service	-	252,243	91,876	344,119
<b>Total Expenditures</b>	<u>2,791,775</u>	<u>252,243</u>	<u>91,876</u>	<u>3,135,894</u>
Excess (deficiency) of revenues over (under) expenditures	(38,023)	6,251	93,355	61,583
Fund balance, beginning of year	<u>(34,973)</u>	<u>(237,010)</u>	<u>678,878</u>	<u>406,895</u>
Fund balance, end of year	<u>\$ (72,996)</u>	<u>\$ (230,759)</u>	<u>\$ 772,233</u>	<u>\$ 468,478</u>

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

**LADY'S ISLAND - ST. HELENA 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, 2004**

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

Net change in fund balances -- total governmental funds	\$	61,583
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$29,109) was less than depreciation (\$161,695) in the current period.		(132,586)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		310,620
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.		
Annual Leave		452
Total change in net assets of governmental activities	\$	240,069

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

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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

The Lady's Island – St. Helena Island Fire District (LISH) was established on March 31, 1982 for the purpose of providing fire protection for the residents of Lady's Island and St. Helena Island in Beaufort County, South Carolina.

**Reporting Entity**

LISH is an autonomous government whose appointed board controls its operations and fiscal accountability. LISH 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 Lady's Island - St. Helena Island

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 imposition of will, and financial benefit or burden on a primary government and selection of governing authority. Based on the above criteria, the Lady's Island - St. Helena Island Fire District has no component units required to be reported in these financial statements.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by the appointed board and the executive director.

The operating budget is funded through property taxes. The operating revenues and expenditures are included in the General Fund. The accounting policies of LISH conform to generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting.

**Government-Wide-and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primarily government is reported separately from certain legally separate component units for which the primary government is financially accountable. LISH reports only governmental activities, as there are no business type activities.

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

LISH reports the following major governmental funds:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is LISH's policy to use restricted resources first then unrestricted resources, as they are needed.

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments**

LISH'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.

LISH is authorized by state statute to invest in the following:

- Obligations of the United States and its agencies;
- General obligations of the State of South Carolina and its political units;
- Savings and loan associations to the extent that the same are insured by an agency of the Federal Government;

Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above and are held by a third party as escrow agent or custodian, at a market value not less than the amounts of the certificates of deposit plus interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

**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 property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by LISH 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. Donated capital assets are recorded at estimated fair market value at the date of donation. LISH does not have any significant infrastructure assets that should be recorded at this time.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40 years
Furniture and Equipment	5-10 years
Vehicles	15-20 years

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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

**Assets, Liabilities, and Net Assets or Equity - Continued**

Compensated Absences

Regular employees who are separated from LISH service will be paid for all accrued unused annual leave hours up to a maximum of 80 hours. LISH has no financial liability for its unused sick leave.

The accumulated unpaid annual leave earned, but not taken, by LISH employees as of June 30, 2004 totaled \$78,271 computed at each employee's pay rate and includes an estimate of fifteen percent for benefits payable that are related to the annual leave pay. Unused annual leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. All annual leave is paid from the general fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Government-wide and fund financial statements must be presented using an all-inclusive format. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus changes in net assets on the government-wide statement of activities is added to (or deducted from) net assets – beginning of the fiscal year to arrive at net assets – end of the fiscal year.

Net assets are defined as the difference between assets and liabilities in the government-wide statement of net assets.

The government-wide statement of net assets reports all government assets; therefore, a significant portion of the net assets reported there typically reflects a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP requires the amount of net assets invested in capital assets to be reported as a separate category of net assets. Net assets invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of LISH's net assets by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as restricted net assets.

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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

**Assets, Liabilities, and Net Assets or Equity - Continued**

Fund Equity - Continued

GAAP direct that the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as unrestricted net assets.

Deficit Fund Equity

The general fund and the debt service fund have a deficit fund balance of \$72,996 and \$230,759, respectively. This deficit is due to inadequate millage assessments to cover approved budgetary expenditures by Beaufort County.

Comparative Data/Reclassifications

Comparative total data for the prior year has not been presented. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Expenses/Expenditures

Consistent with the current financial resources measurement focus, the governmental fund statement of activities report expenditures rather than expenses. Expenditures in the fund financial statements are presented by character for the governmental funds. The character of an expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (current expenditures) are distinguished from those presumed to benefit both the present and future periods (debt service expenditures and capital outlay expenditures). GAAP also provides for a fourth character classification, intergovernmental expenditures, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by function. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

**Budget and Budgetary Accounting**

Prior to the start of each fiscal year, LISH approves an operating budget prepared in accordance with generally accepted accounting principles. Beaufort County approves total budget and assesses millage to collect taxes. The appointed commissioners of LISH in conjunction with Beaufort County approval make any revisions to the budget during the year. Budgets are adopted for all funds. Accordingly, a budget to actual comparison is presented as required supplementary information.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

**NOTE 2 CASH AND INVESTMENTS**

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

Deposits of the governmental funds are maintained in demand deposits or savings accounts, or certificates of deposits. The book balance and bank balance at June 30, 2004 was \$2,599 and \$3,937, respectively. The bank balance was insured by the FDIC.

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2004 were as follows:

	<u>Fund Statements</u>	<u>Government-wide Statements</u>
Taxes Receivable	\$ 36,706	\$ 36,706
Reimbursements	15,494	15,494
Total Accounts Receivable	<u>\$ 52,200</u>	<u>\$ 52,200</u>



**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**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**

The following is a summary of changes in the capital assets during the fiscal year.

<u>Governmental Activities</u>	<u>June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2004</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 68,597	\$ -	\$ -	68,597
Total capital assets, not being depreciated	<u>68,597</u>	<u>-</u>	<u>-</u>	<u>68,597</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	809,166	-	-	809,166
Furniture and equipment	79,586	8,829	-	88,415
Vehicles	2,357,462	20,280	-	2,377,742
Total capital assets being depreciated	<u>3,246,214</u>	<u>29,109</u>	<u>-</u>	<u>3,275,323</u>
Less accumulated depreciation for:				
Buildings and improvements	224,796	20,771	-	245,567
Furniture and equipment	11,953	9,931	-	21,884
Vehicles	927,175	130,993	-	1,058,168
Total accumulated depreciation	<u>1,163,924</u>	<u>161,695</u>	<u>-</u>	<u>1,325,619</u>
Total capital assets being depreciated, net	<u>2,082,290</u>	<u>(132,586)</u>	<u>-</u>	<u>1,949,704</u>
Governmental activities capital assets, net	<u>\$ 2,150,887</u>	<u>\$ (132,586)</u>	<u>\$ -</u>	<u>\$ 2,018,301</u>

Depreciation expense was \$161,695 for the year ended June 30, 2004. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
Public Safety Fire Protection	\$ 161,695
Total	<u>\$ 161,695</u>

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 LONG TERM OBLIGATIONS**

Changes in outstanding debt was as follows:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Bond Payable - Palmetto State	\$ 113,571	\$ -	\$ 113,571	\$ -
Note Payable - Palmetto State	30,204	-	30,204	-
Note Payable - Palmetto State	80,127	-	80,127	-
Note Payable - Palmetto State	144,042	-	34,446	109,596
Note Payable - Palmetto State	308,441	-	52,724	255,717
<b>Total</b>	<b>\$ 1,103,603</b>	<b>\$ -</b>	<b>\$ 311,072</b>	<b>\$ 365,313</b>

Interest paid for the year ended June 30, 2004, was \$33,047.

Long-term debt at June 30, 2004 consisted of the following:

	<u>BALANCE</u>
\$250,000 Note payable to Palmetto State Bank due in annual installments of \$41,033 beginning July 1, 2001 and continuing through and including July 1, 2007. Payments include interest of 4.56%. Collateralized by a Pierce Contender Pumper Truck.	\$ 109,596
\$400,000 Note payable to Palmetto State Bank due in annual installments of \$67,791 beginning January 1, 2003 and continuing through and including January 1, 2009. Payments include interest of 4.6%. Collateralized by a E-One Quinn Ladder Truck.	255,717
<b>Total</b>	<b>\$ 365,313</b>

The total requirements to pay all debt outstanding as of June 30, 2004 is \$417,163 including estimated interest payments of \$51,850 and is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 90,075	\$ 18,749	\$ 108,824
2006	94,203	14,621	108,824
2007	94,991	10,325	105,316
2008	61,845	5,946	67,791
2009	24,199	2,209	26,408
Thereafter	-	-	-
<b>Total</b>	<b>\$ 365,313</b>	<b>\$ 51,850</b>	<b>\$ 417,163</b>

**Operating Leases**

LISH has immaterial operating leases on office equipment that are short-term in length.

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 7 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 as of May 4, 2004 was \$77,091,611. The computation of legal debt limits is as follows:

Assessed value (\$77,091,611 X 8%)	\$	6,167,329
General obligation debt at June 30, 2004		-
Excess of debt limit over general obligation debt	\$	6,167,329

**NOTE 8 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:

<b>SOUTH CAROLINA POLICE OFFICERS CONTRIBUTION INFORMATION</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Total Current Year Payroll	\$ 1,718,914	\$ 1,554,068	\$ 1,382,936
Covered Payroll	1,701,364	1,554,068	1,382,936
Employee Contributions	110,589	101,014	89,891
Employee Contribution Rate (based upon salary)	6.5%	6.5%	6.5%
Employer Contributions	175,240	160,069	142,442
Employer Contribution Rate (based upon salary)	10.3%	10.3%	10.3%
Group Life Contributions	6,806	6,216	5,532
Group Life Contribution Rate (based upon salary)	0.4%	0.4%	0.4%

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 11970, Columbia, South Carolina 29211-1970.

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 9 RISK MANAGEMENT**

LISH 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.

LISH 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 10 COMMITMENTS AND CONTINGENCIES**

LISH is committed to build a new fire station. Funding is to come from a loan in the amount of \$799,950.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Taxes	\$ 2,871,462	\$ 2,871,462	\$ 2,740,119	\$ (131,343)
Fees	-	-	13,174	13,174
Miscellaneous Income	-	-	459	459
Total Revenues	<u>2,871,462</u>	<u>2,871,462</u>	<u>2,753,752</u>	<u>(117,710)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>Public Safety - Fire Protection</b>				
<b>Personal Services</b>				
Personnel salaries	1,853,430	1,853,430	1,718,914	134,516
FICA/Medicare	141,808	141,808	126,659	15,149
Unemployment	4,514	4,514	5,484	(970)
Retirement	198,317	198,317	182,046	16,271
Health insurance	305,000	305,000	376,280	(71,280)
Workman's Compensation	94,697	94,697	92,875	1,822
Total Personal Services	<u>2,597,766</u>	<u>2,597,766</u>	<u>2,502,258</u>	<u>95,508</u>
<b>Materials and Services</b>				
Fuel	20,000	20,000	16,195	3,805
Vehicle repairs and maintenance	30,000	30,000	36,209	(6,209)
Equipment repairs and maintenance	12,000	12,000	12,371	(371)
Buildings repairs and maintenance	15,000	15,000	14,446	554
Inspections	8,100	8,100	4,539	3,561
Utilities	25,500	25,500	18,638	6,862
Telephone	4,000	4,000	3,453	547
Water	-	-	3,587	(3,587)
Professional	3,400	3,400	3,400	-
Travel and Training	26,000	26,000	17,036	8,964
Office Supplies	\$ 7,000	\$ 7,000	\$ 7,638	\$ (638)

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>GENERAL FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
Dues and Subscriptions	\$ 650	\$ 650	\$ 935	\$ (285)
Miscellaneous	1,000	1,000	(192)	1,192
Payroll Costs	3,172	3,172	3,052	120
Uniform Replacement	46,000	46,000	45,243	757
Cleaning Supplies	7,000	7,000	6,927	73
Tort Liability	2,174	2,174	2,170	4
Vehicle Insurance	22,600	22,600	21,962	638
Building Insurance	13,200	13,200	13,046	154
Medical/Physicals	20,000	20,000	11,620	8,380
Small Tools	3,000	3,000	16,994	(13,994)
Communication Equipment	3,900	3,900	1,139	2,761
Total Materials and Services	<u>273,696</u>	<u>273,696</u>	<u>260,408</u>	<u>13,288</u>
<b>CAPITAL OUTLAY</b>				
Property and Equipment	-	-	29,109	(29,109)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>29,109</u>	<u>(29,109)</u>
 Total Expenditures	 <u>2,871,462</u>	 <u>2,871,462</u>	 <u>2,791,775</u>	 <u>79,687</u>
 Excess (deficiency) of revenues over (under) expenditures	 -	 -	 (38,023)	 (38,023)
 Fund balance, beginning of year	 <u>(34,973)</u>	 <u>(34,973)</u>	 <u>(34,973)</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ (34,973)</u>	 <u>\$ (34,973)</u>	 <u>\$ (72,996)</u>	 <u>\$ (38,023)</u>

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2004**

	<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	\$ 286,328	\$ 286,328	\$ 258,494	\$ (27,834)
Total Revenues	<u>286,328</u>	<u>286,328</u>	<u>258,494</u>	<u>(27,834)</u>
<b>EXPENDITURES</b>				
Public Safety - Fire Protection				
Debt Service	286,328	286,328	252,243	34,085
Total Expenditures	<u>286,328</u>	<u>286,328</u>	<u>252,243</u>	<u>34,085</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	6,251	6,251
Fund balance, beginning of year	<u>(237,010)</u>	<u>(237,010)</u>	<u>(237,010)</u>	-
Fund balance, end of year	<u>\$ (237,010)</u>	<u>\$ (237,010)</u>	<u>\$ (230,759)</u>	<u>\$ 6,251</u>

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



**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>SPECIAL REVENUE FUND - IMPACT FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Fees	\$ 275,000	\$ 275,000	\$ 182,538	\$ (92,462)
Miscellaneous	-	-	2,693	2,693
<b>Total Revenues</b>	<b>275,000</b>	<b>275,000</b>	<b>185,231</b>	<b>(89,769)</b>
<b>EXPENDITURES</b>				
Public Safety - Fire Protection				
Capital Outlay	183,000	183,000	-	183,000
Debt Service	92,000	92,000	91,876	124
<b>Total Expenditures</b>	<b>275,000</b>	<b>275,000</b>	<b>91,876</b>	<b>183,124</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	93,355	93,355
Fund balance, beginning of year	678,878	678,878	678,878	-
Fund balance, end of year	<b>\$ 678,878</b>	<b>\$ 678,878</b>	<b>\$ 772,233</b>	<b>\$ 93,355</b>

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