

LADY'S ISLAND - ST. HELENA ISLAND

FIRE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2005

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2005**

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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 and each major fund of the Lady's Island - St. Helena Island Fire District, as of and for the year ended June 30, 2005 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 and each major fund of the Lady's Island - St. Helena Island Fire District as of June 30, 2005, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Mellen & Wechsler, P.A.
Beaufort, South Carolina
December 20, 2005

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, 2005.

Financial Highlights

- The assets of LISH exceed its liabilities at the close of the most recent fiscal year by \$2,598,266 (net assets). Of this amount, \$463,446 (restricted net assets) represents cash held by Beaufort County for debt service payments and impact fees. Another \$1,999,492 represents the investment in capital assets less depreciation and debt on those assets. The remaining balance of \$135,328 represents the equity in unrestricted net assets. LISH's total net assets increased by \$555,071.
- As of the close of the current fiscal year LISH's governmental funds reported a combined ending fund balance of \$680,737, an increase of \$212,259.

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.

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 \$2,598,266. Comparative information has been presented for 2004. The following table reflects the condensed government-wide statement of net assets.

	LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT NET ASSETS	
	Governmental Activities	
	2005	2004
Current and Other Assets	\$ 718,320	\$ 468,478
Capital Assets	3,108,777	2,018,301
Total Assets	<u>3,827,097</u>	<u>2,486,779</u>
Long-term Liabilities Outstanding	1,228,831	443,584
Other Liabilities	-	-
Total Liabilities	<u>1,228,831</u>	<u>443,584</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	1,999,492	1,652,988
Unrestricted	135,328	(151,267)
Restricted	<u>463,446</u>	<u>541,474</u>
Total Net Assets	<u>\$ 2,598,266</u>	<u>\$ 2,043,195</u>

The largest portion of LISH's net assets \$1,999,492 (77 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, 2005, LISH had outstanding long-term debt of \$1,228,831 for the purchase of fire trucks, equipment and the Sams Point Fire Station as well as annual leave. The \$463,446 (18 percent) represents the assets restricted for payment of debt and impact fees. The remaining net assets of \$135,328 represent the equity in the unrestricted net assets.

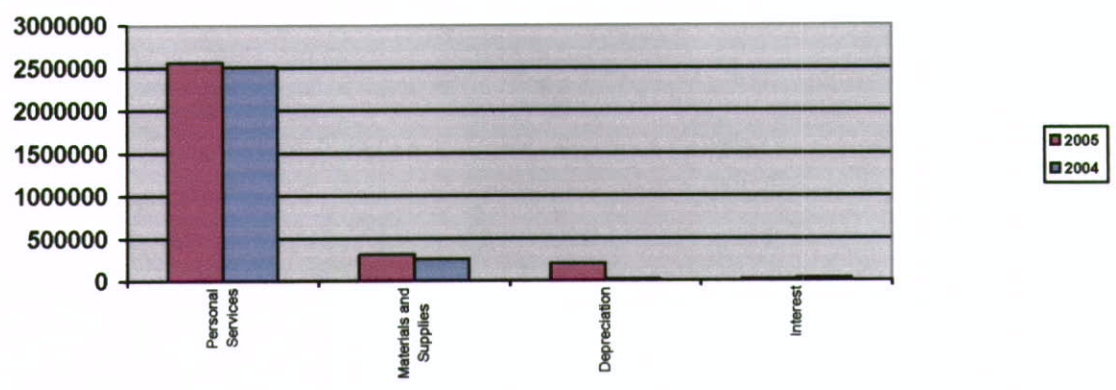
At the end of the current fiscal year, Lady's Island - St. Helena Island Fire District is able to report positive balances in the general fund and the impact fund. However, the debt service fund has a deficit balance of \$93,222 that is included in the net assets.

Governmental activities. LISH's total net assets increased by \$555,071. Key elements of this increase are as shown in the following table.

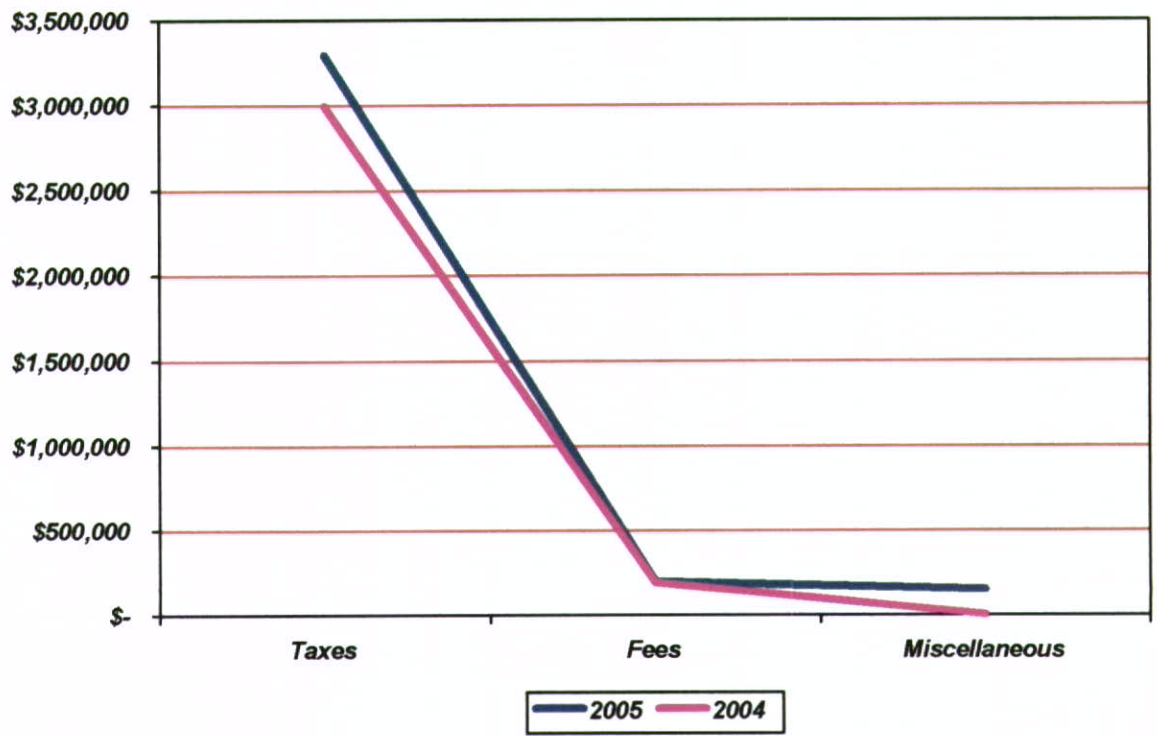
LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT CHANGE IN NET ASSETS

	Governmental Activities	
	2005	2004
Expenses		
Public Safety - Fire Protection		
Personal Services	\$ 2,559,595	\$ 2,502,258
Materials and Services	311,784	260,408
Depreciation	203,866	161,695
Interest	17,585	33,047
Total expenses	<u>3,092,830</u>	<u>2,957,408</u>
General Revenues		
Taxes	3,298,085	2,998,613
Fees	198,116	195,712
Miscellaneous	151,700	3,152
Total general revenues	<u>3,647,901</u>	<u>3,197,477</u>
Increase in net assets	555,071	240,069
Net assets – beginning	<u>2,043,195</u>	<u>1,803,126</u>
Net assets – ending	<u>\$ 2,598,266</u>	<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 \$680,737, an increase of \$212,259. 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 property taxes in the general fund and the debt service fund with revenues in excess of expenditures by \$428,364. The impact fee fund decreased by \$215,565 due to the purchase of a fire truck.

Capital Assets and Debt Administration

Capital Assets. LISH's investment in capital assets for its governmental type activities as of June 30, 2005 amounts to \$3,108,777 (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 \$1,264,928 for a fire truck, equipment and the construction of the Sams Point Fire Station. Depreciation expense was \$174,452 for the year.

	LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION	
	Governmental Activities	
	2005	2004
Land and Improvements	\$ 68,597	\$ 68,597
Buildings and Improvements	1,308,645	563,598
Furniture and Equipment	176,493	66,531
Vehicles	1,555,042	1,319,575
Total	<u>\$ 3,108,777</u>	<u>\$ 2,018,301</u>

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 \$1,109,285. The debt was attributable to the acquisition of fire trucks and the construction of the Sams Point Fire Station.

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

	Governmental Activities	
	2005	2004
Notes Payable	\$ 1,109,285	\$ 365,313
Total	\$ 1,109,285	\$ 365,313

Economic Factors and Next Year's Budgets

The budget for 2005-2006 increased a little over \$300,000 from \$2,998,947 to \$3,299,028 for the operating budget. Because the value of the millage was underestimated in 2004, this increase only increased millage from 27.1 to 28.9, an increase of 1.8 mils.

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, 2005

ASSETS

Cash	\$ 3,313
Receivables	94,478
Due from Beaufort County Treasurer	620,529
Property and Equipment	3,108,777
Total Assets	<u><u>3,827,097</u></u>

LIABILITIES

Current Portion of Debt	192,330
Annual Leave	119,546
Bonds, Notes & Leases Payable	916,955
Total Liabilities	<u><u>1,228,831</u></u>

NET ASSETS

Unrestricted	135,328
Restricted for Debt Service	(93,222)
Restricted for Impact Fund	556,668
Investment in Capital Assets, Net of Related Debt	1,999,492
Total Net Assets	<u><u>\$ 2,598,266</u></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, 2005**

EXPENSES

Personal Services	\$ 2,559,595
Materials and Supplies	311,784
Depreciation	203,866
Interest	17,585
Total Expenses	<u>3,092,830</u>

GENERAL REVENUES

Taxes	3,298,085
Fees	198,116
Miscellaneous	151,700
Total General Revenues	<u>3,647,901</u>
Increase in Net Assets	555,071
Net Assets, beginning of year	<u>2,043,195</u>
Net Assets, end of year	<u>\$ 2,598,266</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, 2005**

	GOVERNMENTAL FUND TYPES			TOTAL
	GENERAL FUND	DEBT SERVICE FUND	SPECIAL REVENUE FUND	
ASSETS				
Cash	\$ 3,313	\$ -	\$ -	\$ 3,313
Receivables	87,134	7,344	-	94,478
Due from Beaufort County Treasurer	161,057	(97,196)	556,668	620,529
Total Assets	\$ 251,504	\$ (89,852)	\$ 556,668	\$ 718,320
 LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred Revenue	\$ 34,213	\$ 3,370	\$ -	\$ 37,583
Total Liabilities	34,213	3,370	-	37,583
 Fund Balances				
Unreserved	217,291	(93,222)	556,668	680,737
Total Fund Balances	217,291	(93,222)	556,668	680,737
 Total Liabilities and Fund Balances	 \$ 251,504	 \$ (89,852)	 \$ 556,668	 \$ 718,320

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

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

Total fund balances for governmental funds	\$	680,737
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 \$267,490 accumulated depreciation		1,308,645
Vehicles, net of \$1,190,526 accumulated depreciation		1,555,042
Furniture and equipment, net of \$42,055 accumulated depreciation		<u>176,493</u>
Total Capital Assets		3,108,777
Some of LISH's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		37,583
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		(119,546)
Notes Payable		<u>(1,109,285)</u>
Total Long-Term Liabilities		<u>(1,228,831)</u>
Total net assets of governmental activities	\$	<u>2,598,266</u>

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

**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, 2005**

	GOVERNMENTAL FUND TYPES			TOTAL
	GENERAL FUND	DEBT SERVICE FUND	IMPACT FUND	
REVENUES				
Taxes	\$ 3,106,017	\$ 154,485	\$ -	\$ 3,260,502
Fees	13,924	-	184,192	198,116
Miscellaneous	614	-	151,086	151,700
Total Revenues	<u>3,120,555</u>	<u>154,485</u>	<u>335,278</u>	<u>3,610,318</u>
Expenditures				
Public Safety - Fire Protection				
Personal Services	2,518,320	-	-	2,518,320
Materials and Services	311,784	-	-	311,784
Capital Outlay	51,817	794,178	448,347	1,294,342
Debt Service	-	22,770	50,843	73,613
Total Expenditures	<u>2,881,921</u>	<u>816,948</u>	<u>499,190</u>	<u>4,198,059</u>
Excess (deficiency) of revenues over (under) expenditures	238,634	(662,463)	(163,912)	(587,741)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	800,000	-	800,000
Transfers In	51,653	-	-	51,653
Transfers Out	-	-	(51,653)	(51,653)
Total Other Financing Sources (Uses)	<u>51,653</u>	<u>800,000</u>	<u>(51,653)</u>	<u>800,000</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	290,287	137,537	(215,565)	212,259
Fund balance, beginning of year	<u>(72,996)</u>	<u>(230,759)</u>	<u>772,233</u>	<u>468,478</u>
Fund balance, end of year	<u>\$ 217,291</u>	<u>\$ (93,222)</u>	<u>\$ 556,668</u>	<u>\$ 680,737</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, 2005**

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	\$ 212,259
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 (\$1,264,928) was more than depreciation (\$174,452) in the current period.	1,090,476
Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability.	(800,000)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	56,028
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	37,583
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	<u>(41,275)</u>
Total change in net assets of governmental activities	<u>\$ 555,071</u>

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, 2005

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, 2005

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.

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, 2005**

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	25-50 years
Furniture and Equipment	5-10 years
Vehicles	5-20 years

LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005 totaled \$119,546 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, 2005

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 debt service fund has a deficit fund balance of \$93,222. 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, 2005**

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 DEPOSITS 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.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. LISH does not have a deposit policy for custodial credit risk. As of June 30, 2005, the bank balance of the Town's deposits was \$3,313 of which all was covered by FDIC insurance.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2005 were as follows:

	<u>Fund Statements</u>	<u>Government-wide Statements</u>
Taxes Receivable	\$ 81,377	\$ 81,377
Reimbursements	13,101	13,101
Total Accounts Receivable	<u>\$ 94,478</u>	<u>\$ 94,478</u>

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in governmental funds were as follows:

	<u>Fund Statements</u>	<u>Government-wide Statements</u>
Taxes Receivable	\$ 37,583	\$ -

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</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	766,969	-	1,576,135
Furniture and equipment	88,415	130,133	-	218,548
Vehicles	<u>2,377,742</u>	<u>367,826</u>	-	<u>2,745,568</u>
Total capital assets being depreciated	<u>3,275,323</u>	<u>1,264,928</u>	<u>-</u>	<u>4,540,251</u>
Less accumulated depreciation for:				
Buildings and improvements	245,567	21,922	-	267,489
Furniture and equipment	21,884	20,172	-	42,056
Vehicles	<u>1,058,168</u>	<u>132,358</u>	-	<u>1,190,526</u>
Total accumulated depreciation	<u>1,325,619</u>	<u>174,452</u>	<u>-</u>	<u>1,500,071</u>
Total capital assets being depreciated, net	<u>1,949,704</u>	<u>1,090,476</u>	<u>-</u>	<u>3,040,180</u>
Governmental activities capital assets, net	<u>\$ 2,018,301</u>	<u>\$ 1,090,476</u>	<u>\$ -</u>	<u>\$ 3,108,777</u>

Depreciation expense was \$174,452 for the year ended June 30, 2005. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
Public Safety Fire Protection	\$ 174,452
Total	<u>\$ 174,452</u>

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 6 LONG TERM OBLIGATIONS

Changes in outstanding debt was as follows:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Note Payable - Palmetto State	\$ -	\$ 800,000	\$ -	\$ 800,000
Note Payable - Palmetto State	109,596	-	-	109,596
Note Payable - Palmetto State	255,717	-	56,028	199,689
Total	<u>\$ 365,313</u>	<u>\$ 800,000</u>	<u>\$ 56,028</u>	<u>\$ 1,109,285</u>

Interest paid for the year ended June 30, 2005, was \$17,585.

Long-term debt at June 30, 2005 consisted of the following:

	<u>BALANCE</u>
\$800,000 Note payable to Palmetto State Bank due in annual installments of \$135,770 beginning July 14, 2005 and continuing through and including July 2011. Payments include interest of 4.50%. Collateralized by a 731 Sam Point Road Station.	\$ 800,000
\$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.	199,689
Total	<u>\$ 1,109,285</u>

The total requirements to pay all debt outstanding as of June 30, 2005 is \$1,109,285 including estimated interest payments of \$235,366 and is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 192,330	\$ 52,264	\$ 244,594
2007	201,063	43,531	244,594
2008	206,680	37,914	244,594
2009	135,986	67,573	203,559
2010	118,975	16,795	135,770
2011 - 2012	254,251	17,289	271,540
Total	<u>\$ 1,109,285</u>	<u>\$ 235,366</u>	<u>\$ 1,344,651</u>

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, 2005**

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 2005 was \$114,100,242. The computation of legal debt limits is as follows:

Assessed value (\$114,100,242 X 8%)	\$ 9,128,019
General obligation debt at June 30, 2005	<u>(800,000)</u>
Excess of debt limit over general obligation debt	<u>\$ 8,328,019</u>

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:

SOUTH CAROLINA POLICE OFFICERS CONTRIBUTION INFORMATION	2005	2004	2003
Total Current Year Payroll	\$ 1,693,234	\$ 1,718,914	\$ 1,554,068
Covered Payroll	1,666,719	1,701,364	1,554,068
Employee Contributions	109,337	110,589	101,014
Employee Contribution Rate (based upon salary)	6.5%	6.5%	6.5%
Employer Contributions	171,672	175,240	160,069
Employer Contribution Rate (based upon salary)	10.3%	10.3%	10.3%
Group Life Contributions	6,668	6,806	6,216
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, 2005**

NOTE 9 TRANSFERS BETWEEN FUNDS

The following transfers between funds occurred during the year ended June 30, 2005:

<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	<u>Impact Fund</u>
	<u>\$ 51,653</u>

NOTE 10 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.

**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, 2005

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 2,993,947	\$ 2,993,947	\$ 3,106,017	\$ 112,070
Fees	-	-	13,973	13,973
Miscellaneous Income	-	-	614	614
Total Revenues	<u>2,993,947</u>	<u>2,993,947</u>	<u>3,120,604</u>	<u>126,657</u>
EXPENDITURES				
Current				
Public Safety - Fire Protection				
Personal Services				
Personnel salaries	1,839,727	1,839,727	1,693,234	146,493
FICA/Medicare	140,740	140,740	124,691	16,049
Unemployment	5,729	5,729	5,982	(253)
Retirement	196,851	196,851	179,244	17,607
Health insurance	400,000	400,000	414,229	(14,229)
Workman's Compensation	110,000	110,000	100,940	9,060
Total Personal Services	<u>2,693,047</u>	<u>2,693,047</u>	<u>2,518,320</u>	<u>174,727</u>
Materials and Services				
Fuel	25,000	25,000	44,453	(19,453)
Vehicle repairs and maintenance	35,000	35,000	36,213	(1,213)
Equipment repairs and maintenance	12,000	12,000	4,315	7,685
Buildings repairs and maintenance	15,000	15,000	18,175	(3,175)
Inspections	10,000	10,000	8,826	1,174
Utilities	24,000	24,000	25,170	(1,170)
Telephone	4,000	4,000	7,506	(3,506)
Water	-	-	4,440	(4,440)
Professional	4,200	4,200	4,275	(75)
Travel and Training	26,000	26,000	21,013	4,987
Office Supplies	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 10,529</u>	<u>\$ (3,529)</u>

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, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Dues and Subscriptions	\$ 800	\$ 800	\$ 177	\$ 623
Miscellaneous	1,500	1,500	2,702	(1,202)
Payroll Costs	3,900	3,900	2,506	1,394
Uniform Replacement	55,000	55,000	53,808	1,192
Cleaning Supplies	7,500	7,500	2,955	4,545
Tort Liability	2,300	2,300	2,903	(603)
Vehicle Insurance	22,000	22,000	24,431	(2,431)
Building Insurance	13,200	13,200	13,608	(408)
Medical/Physicals	20,000	20,000	17,036	2,964
Small Tools	7,500	7,500	1,652	5,848
Communication Equipment	5,000	5,000	5,322	(322)
Total Materials and Services	<u>300,900</u>	<u>300,900</u>	<u>312,015</u>	<u>(11,115)</u>
CAPITAL OUTLAY				
Property and Equipment	-	-	51,817	(51,817)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>51,817</u>	<u>(51,817)</u>
Total Expenditures	<u>2,993,947</u>	<u>2,993,947</u>	<u>2,882,152</u>	<u>111,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>238,452</u>	<u>238,452</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	51,653	51,653
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>51,653</u>	<u>51,653</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>290,105</u>	<u>290,105</u>
Fund balance, beginning of year	<u>(72,996)</u>	<u>(72,996)</u>	<u>(72,996)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (72,996)</u>	<u>\$ (72,996)</u>	<u>\$ 217,109</u>	<u>\$ 290,105</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**

	DEBT SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 154,700	\$ 154,700	\$ 154,485	\$ (215)
Total Revenues	<u>154,700</u>	<u>154,700</u>	<u>154,485</u>	<u>(215)</u>
EXPENDITURES				
Public Safety - Fire Protection				
Capital Outlay	800,000	800,000	794,178	5,822
Debt Service	16,950	16,950	22,770	(5,820)
Total Expenditures	<u>816,950</u>	<u>816,950</u>	<u>816,948</u>	<u>2</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(662,250)</u>	<u>(662,250)</u>	<u>(662,463)</u>	<u>(213)</u>
Other Financing Sources (Uses)				
Issuance of Debt	800,000	800,000	800,000	-
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	137,750	137,750	137,537	(213)
Fund balance, beginning of year	<u>(230,759)</u>	<u>(230,759)</u>	<u>(230,759)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (93,009)</u>	<u>\$ (93,009)</u>	<u>\$ (93,222)</u>	<u>\$ (213)</u>

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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

	SPECIAL REVENUE FUND - IMPACT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Fees	\$ -	\$ -	\$ 184,192	\$ 184,192
Miscellaneous	150,000	150,000	151,086	1,086
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>335,278</u>	<u>185,278</u>
EXPENDITURES				
Public Safety - Fire Protection				
Capital Outlay	500,000	500,000	448,347	51,653
Debt Service	91,882	91,882	50,843	41,039
Total Expenditures	<u>591,882</u>	<u>591,882</u>	<u>499,190</u>	<u>92,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(441,882)</u>	<u>(441,882)</u>	<u>(163,912)</u>	<u>277,970</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(51,653)	(51,653)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(51,653)</u>	<u>(51,653)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(441,882)</u>	<u>(441,882)</u>	<u>(215,565)</u>	<u>226,317</u>
Fund balance, beginning of year	<u>772,233</u>	<u>772,233</u>	<u>772,233</u>	<u>-</u>
Fund balance, end of year	<u>\$ 330,351</u>	<u>\$ 330,351</u>	<u>\$ 556,668</u>	<u>\$ 226,317</u>

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