

LADY'S ISLAND - ST. HELENA ISLAND

FIRE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2008

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FINANCIAL SECTION

LISA T. WECHSLER, P.A.

CERTIFIED PUBLIC ACCOUNTANT

341 COTTAGE FARM DRIVE

BEAUFORT, SC 29902

TEL (843) 470-0630 FAX (843) 470-0635

EMAIL ltwechslerpa@embarqmail.com

Lisa T. Wechsler, CPA

INDEPENDENT AUDITOR'S REPORT

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

I 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, 2008 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the 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, 2008, 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 accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

Lisa T. Wechsler, P.A.
Beaufort, South Carolina
November 30, 2009

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, 2008.

Financial Highlights

- The assets of LISH exceed its liabilities at the close of the most recent fiscal year by \$3,198,703 (net assets). Of this amount, \$414,397 (restricted net assets) represents cash held by Beaufort County for debt service payments and impact fees. Another \$2,349,225 represents the investment in capital assets less depreciation and debt on those assets. The remaining balance of \$435,081 represents the equity in unrestricted net assets. LISH's total net assets increased by \$68,610.
- As of the close of the current fiscal year LISH's governmental funds reported a combined ending fund balance of \$1,062,136, a decrease of \$93,222.

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

LISH adopts an annual budget for the general fund, the debt service fund, and the impact fund. 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 \$3,198,703. Comparative information has been presented for 2007. The following table reflects the condensed government-wide statement of net assets.

	LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT NET ASSETS	
	Governmental Activities	
	2008	2007
Current and Other Assets	\$ 1,128,489	\$ 1,223,247
Capital Assets	4,089,747	3,397,991
Total Assets	<u>5,218,236</u>	<u>4,621,238</u>
Long-term Liabilities Outstanding	1,716,998	1,147,258
Other Liabilities	302,535	343,887
Total Liabilities	<u>2,019,533</u>	<u>1,491,145</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	2,349,225	2,196,846
Unrestricted	435,081	462,794
Restricted	414,397	470,453
Total Net Assets	<u>\$ 3,198,703</u>	<u>\$ 3,130,093</u>

The largest portion of LISH's net assets \$2,349,225 (73 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. This increase in the investment in capital assets, net of related debt is due to the completion of the buildings and final draw on the loan for this project. The \$414,397 (13 percent) represents the assets restricted for payment of debt and impact fees. The remaining net assets of \$435,081 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 all funds.

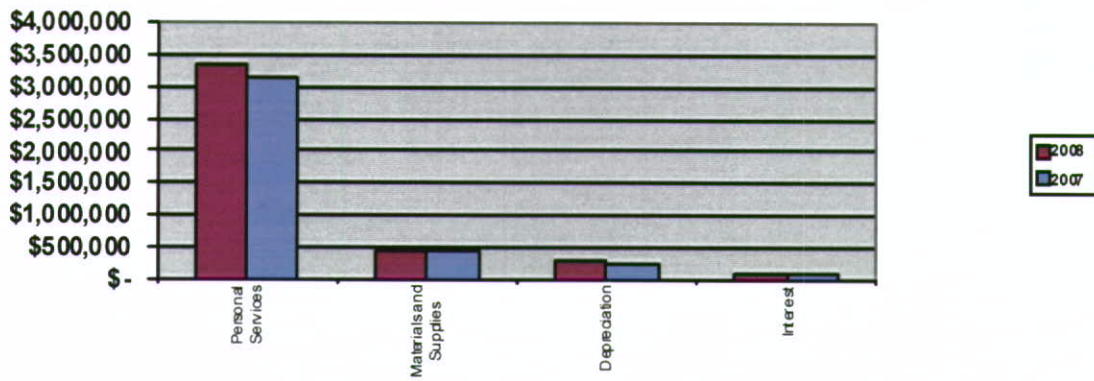
Governmental activities. LISH's total net assets increased by \$68,610. Key elements of this increase are as shown in the following table.

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

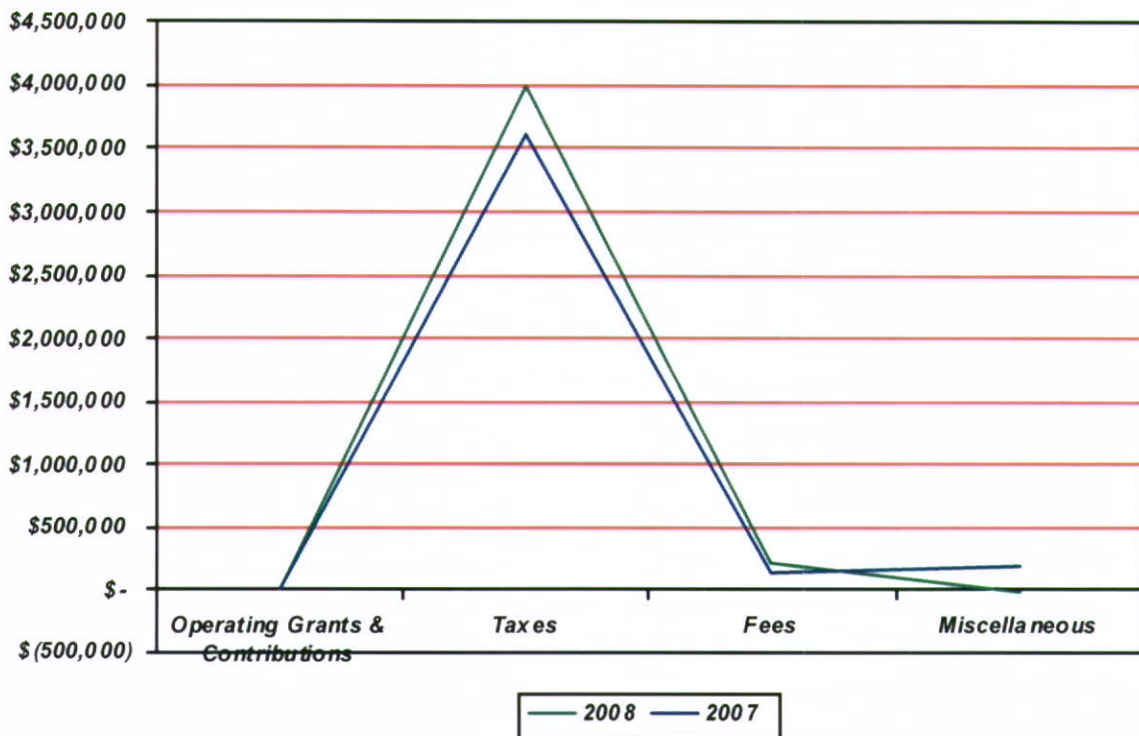
	Governmental Activities	
	2008	2007
Expenses		
Public Safety - Fire Protection		
Personal Services	\$ 3,334,524	\$ 3,118,310
Materials and Services	430,998	432,386
Depreciation	275,756	224,459
Interest	67,752	69,085
Total expenses	<u>4,109,030</u>	<u>3,844,240</u>
Net Program Expense	<u>4,109,030</u>	<u>3,844,240</u>
General Revenues		
Taxes	3,987,083	3,621,650
Fees	197,865	140,853
Miscellaneous	(7,308)	191,387
Total general revenues	<u>4,177,640</u>	<u>3,953,890</u>
Increase in net assets	68,610	109,650
Net assets – beginning	<u>3,130,093</u>	<u>3,020,443</u>
Net assets – ending	<u>\$ 3,198,703</u>	<u>\$ 3,130,093</u>

For the most part, expenses paralleled inflation and normal cost of living increases. Depreciation is up due to new assets added with proceeds of note from the bank.

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 \$1,062,136, a decrease of \$93,222. The major governmental funds consist of the general fund, the capital projects fund, the debt service fund, and the impact fund. Approximately \$77,600 of this decrease is attributable to the use of funds from the insurance proceeds, city revenues, and proceeds of debt received in the current and prior fiscal year. Another \$55,000 of this decrease was in the impact fund in which revenues did not exceed the payout for debt commitments. An unfavorable revenue variance in the general fund of \$113,460 was offset by a favorable spending variance of \$153,899. The bulk of these expenditures related to personal services with a favorable expenditure variance in the amount of \$145,662. The only expenditure account that was significantly over spent was fuel with a negative variance of \$13,624.

Capital Assets and Debt Administration

Capital Assets. LISH's investment in capital assets for its governmental type activities as of June 30, 2008 amounts to \$4,089,747 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and vehicles. Increases in LISH's investment in capital assets for the current fiscal year were \$988,812 for construction on fire stations of \$88,923, \$62,848 for inspector trainers package, air compressor, air fill station with racks for cylinder, custom skid unit, and \$837,041 for two Pierce Pumpers and 3 off road vehicles. Depreciation expense was \$275,756 for the year.

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

	Governmental Activities	
	2008	2007
Land and Improvements	\$ 68,597	\$ 68,597
Construction in Progress	-	379,951
Buildings and Improvements	1,665,394	1,240,160
Furniture and Equipment	271,862	246,617
Vehicles	2,083,894	1,462,666
Total	\$ 4,089,747	\$ 3,397,991

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 \$1,740,522. \$820,945 of a new loan for \$1,500,000 was added to the long-term obligations during the current fiscal year. The debt was attributable to the acquisition of fire trucks and the construction of the fire stations.

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

	Governmental Activities	
	2008	2007
Notes Payable	\$ 1,740,522	\$ 1,201,145
Total	\$ 1,740,522	\$ 1,201,145

Economic Factors and Next Year's Budgets

The budget for 2008-2009 increased from \$3,902,557 to \$4,230,286 for the operating budget. The budget for debt service decreased from \$361,769 to \$208,985. Millage was adjusted from 30.7 for operations and 1.7 for debt service to 32.4 and 1.7, respectively to fund these budgets.

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, Ladys Island, South Carolina, 29907.

BASIC FINANCIAL STATEMENTS

LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Cash	\$ 244,195
Receivables	129,356
Due from Beaufort County Treasurer	681,468
Prepaid Insurance	73,470
Capital assets, not being depreciated	68,597
Capital assets, being depreciated	4,021,150
Total Assets	<u>5,218,236</u>

LIABILITIES

Accounts Payable	30,446
Current Portion of Debt	220,156
Interest Payable	51,933
Annual Leave	196,632
Bonds, Notes & Leases Payable	1,520,366
Total Liabilities	<u>2,019,533</u>

NET ASSETS

Unrestricted	435,081
Restricted for Debt Service	9,349
Restricted for Impact Fund	405,048
Investment in Capital Assets, Net of Related Debt	2,349,225
Total Net Assets	<u>\$ 3,198,703</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, 2008**

EXPENSES

Personal Services	\$ 3,334,524
Materials and Supplies	430,998
Depreciation	275,756
Interest	67,752
Total Expenses	<u>4,109,030</u>

GENERAL REVENUES

Taxes	3,987,083
Fees	197,865
Miscellaneous	(7,308)
Total General Revenues	<u>4,177,640</u>
Increase in Net Assets	68,610
Net Assets, beginning of year	<u>3,130,093</u>
Net Assets, end of year	<u>\$ 3,198,703</u>

The notes 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, 2008**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	IMPACT FUND	
ASSETS					
Cash	\$ 244,195	\$ -	\$ -	\$ -	\$ 244,195
Receivables	124,806	-	4,550	-	129,356
Due from other funds	-	193,668	-	-	193,668
Due from Beaufort County	269,740	-	6,680	405,048	681,468
Prepaid Insurance	73,470	-	-	-	73,470
Total Assets	\$ 712,211	\$ 193,668	\$ 11,230	\$ 405,048	\$ 1,322,157
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 30,446	\$ -	\$ -	\$ -	\$ 30,446
Due to Other Funds	193,668	-	-	-	193,668
Deferred Revenue	34,026	-	1,881	-	35,907
Total Liabilities	258,140	-	1,881	-	260,021
Fund Balances					
Unreserved	454,071	193,668	9,349	405,048	1,062,136
Total Fund Balances	454,071	193,668	9,349	405,048	1,062,136
Total Liabilities and Fund Balances	\$ 712,211	\$ 193,668	\$ 11,230	\$ 405,048	\$ 1,322,157

**LADY'S ISLAND - ST. HELENA ISLAND FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

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

Total fund balances for governmental funds	\$	1,062,136
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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 \$379,615 accumulated depreciation		1,665,394	
Vehicles, net of \$1,456,968 accumulated depreciation		2,083,894	
Furniture and equipment, net of \$135,254 accumulated depreciation		<u>271,862</u>	
Total Capital Assets			4,089,747

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.

35,907

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, 2008 are:

Annual Leave	(196,632)		
Interest Payable		(51,933)	
Notes Payable		<u>(1,740,522)</u>	
Total Long-Term Liabilities			<u>(1,989,087)</u>

Total net assets of governmental activities

\$ 3,198,703

**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, 2008**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	IMPACT FUND	
REVENUES					
Taxes	\$ 3,785,716	\$ -	\$ 206,466	\$ -	\$ 3,992,182
Fees	-	111,381	-	86,484	197,865
Miscellaneous	3,381	-	-	10,611	13,992
Total Revenues	<u>3,789,097</u>	<u>111,381</u>	<u>206,466</u>	<u>97,095</u>	<u>4,204,039</u>
Expenditures					
Current:					
Public Safety - Fire Protection					
Personal Services	3,338,779	-	-	-	3,338,779
Materials and Services	399,646	31,352	-	-	430,998
Debt Service:					
Principal	-	-	152,400	129,168	281,568
Interest	-	-	54,546	23,503	78,049
Capital Outlay:					
Fire Protection	10,233	978,579	-	-	988,812
Total Expenditures	<u>3,748,658</u>	<u>1,009,931</u>	<u>206,946</u>	<u>152,671</u>	<u>5,118,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,439</u>	<u>(898,550)</u>	<u>(480)</u>	<u>(55,576)</u>	<u>(914,167)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	820,945	-	-	820,945
Total Other Financing Sources (Uses)	<u>-</u>	<u>820,945</u>	<u>-</u>	<u>-</u>	<u>820,945</u>
Net change in fund balances	40,439	(77,605)	(480)	(55,576)	(93,222)
Fund balance, beginning of year	413,632	271,273	9,829	460,624	1,155,358
Fund balance, end of year	<u>\$ 454,071</u>	<u>\$ 193,668</u>	<u>\$ 9,349</u>	<u>\$ 405,048</u>	<u>\$ 1,062,136</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, 2008**

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	\$	(93,222)
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 (\$988,812) was more than depreciation (\$275,756) in the current period.		713,056
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.		(820,945)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		281,568
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(21,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(5,099)
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	4,255	
Interest	<u>10,297</u>	<u>14,552</u>
Total change in net assets of governmental activities	\$	<u><u>68,610</u></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, 2008

NOTE 1 NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lady's Island – St. Helena Island Fire District (LISH) was established on March 31, 1972 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 primary 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, 2008

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 *capital projects fund* represents collections of revenues that have been designated for the purchase of capital items.

The *debt service fund* represents LISH's collection and payment of long-term obligations associated with financing arrangements. 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 acquired due to the impact of development.

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, 2008**

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, 2008**

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 240 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, 2008 totaled \$196,632 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, 2008

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.

Comparative Data/Reclassifications

Comparative total data for the prior year has not been presented.

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, 2008**

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. Millage for tax year 2007 was set at 30.7 for operations and 1.7 for debt service.

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, 2008, the bank balance of LISH's deposits was \$310,520 of which \$100,449 was covered by FDIC insurance and the balance was collateralized by securities held in LISH's name.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 were as follows:

	<u>Fund Statements</u>	<u>Government-wide Statements</u>
Taxes Receivable	\$ 86,769	\$ 86,769
Reimbursements	42,587	42,587
Total Accounts Receivable	<u>\$ 129,356</u>	<u>\$ 129,356</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	<u>\$ 35,907</u>	<u>\$ -</u>

LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 68,597	\$ -	\$ -	\$ 68,597
Construction in progress	379,951	88,923	468,874	-
Total capital assets, not being depreciated	<u>448,548</u>	<u>88,923</u>	<u>468,874</u>	<u>68,597</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,576,135	468,874	-	2,045,009
Furniture and equipment	344,268	62,848	-	407,116
Vehicles	2,820,821	837,041	117,000	3,540,862
Total capital assets being depreciated	<u>4,741,224</u>	<u>1,368,763</u>	<u>117,000</u>	<u>5,992,987</u>
Less accumulated depreciation for:				
Buildings and improvements	335,975	43,640	-	379,615
Furniture and equipment	97,651	37,603	-	135,254
Vehicles	1,358,155	194,513	95,700	1,456,968
Total accumulated depreciation	<u>1,791,781</u>	<u>275,756</u>	<u>95,700</u>	<u>1,971,837</u>
Total capital assets being depreciated, net	<u>2,949,443</u>	<u>1,093,007</u>	<u>21,300</u>	<u>4,021,150</u>
Governmental activities capital assets, net	<u>\$ 3,397,991</u>	<u>\$ 1,181,930</u>	<u>\$ 490,174</u>	<u>\$ 4,089,747</u>

Depreciation expense was \$275,756 for the year ended June 30, 2008. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
Public Safety Fire Protection	\$ 275,756
Total	<u>\$ 275,756</u>

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 LONG TERM OBLIGATIONS

Changes in outstanding debt were as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Note Payable - Palmetto State	\$ 595,229	\$ -	\$ 108,176	\$ 487,053
Note Payable - Palmetto State	526,037	820,945	109,344	1,237,638
Note Payable - Palmetto State	<u>79,879</u>	<u>-</u>	<u>64,048</u>	<u>15,831</u>
Total	<u>\$ 1,201,145</u>	<u>\$ 820,945</u>	<u>\$ 281,568</u>	<u>\$ 1,740,522</u>

Interest paid for the year ended June 30, 2008, was \$78,049.

Long-term debt at June 30, 2008 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 the station located at 731 Sam Point Road.	\$ 487,053
\$1,500,000 Note payable to Palmetto State Bank due in annual installments of \$158,056 beginning January 15, 2007 and continuing through and including January 15, 2016. Payments include interest of 5.25%. Collateralized by a lien on real properties at 100 Polowana Road and 632 Lands End Road, St. Helena Island, SC.	1,237,638
\$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.	<u>15,831</u>
Total	<u>\$ 1,740,522</u>

The total requirements to pay all debt outstanding as of June 30, 2008 are \$2,186,172 including estimated interest payments of \$445,650 and are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 220,156	\$ 90,231	\$ 310,387
2010	214,385	79,441	293,826
2011	224,749	69,077	293,826
2012	235,613	58,213	293,826
2013	111,118	46,938	158,056
2014	117,080	40,976	158,056
2015	123,227	34,829	158,056
2016	494,194	25,945	520,139
Total	<u>\$ 1,740,522</u>	<u>\$ 445,650</u>	<u>\$ 2,186,172</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, 2008**

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 2008 was \$121,100,543. The computation of legal debt limits is as follows:

Assessed value (\$121,100,543 X 8%)	\$	9,688,043
General obligation debt at June 30, 2008		<u>(1,724,691)</u>
Excess of debt limit over general obligation debt	\$	<u>7,963,352</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	2008	2007	2006
Total Current Year Payroll	\$ 2,355,719	\$ 2,108,762	\$ 1,974,762
Covered Payroll	2,355,719	2,108,762	1,961,740
Employee Contributions	153,122	137,068	127,513
Employee Contribution Rate (based upon salary)	6.50%	6.50%	6.50%
Employer Contributions	242,639	217,202	202,059
Employer Contribution Rate (based upon salary)	10.30%	10.30%	10.30%
Group Life Contributions	9,423	8,435	7,847
Group Life Contribution Rate (based upon salary)	0.40%	0.40%	0.40%

SOUTH CAROLINA CONTRIBUTION INFORMATION	2008	2007	2006
Total Current Year Payroll	\$ 32,345	\$ 30,194	\$ 24,269
Covered Payroll	32,345	30,194	24,269
Employee Contributions	2,102	1,960	1,517
Employee Contribution Rate (based upon salary)	6.25%	6.25%	6.25%
Employer Contributions	2,930	2,431	1,832
Employer Contribution Rate (based upon salary)	9.06%	7.50%	7.50%
Group Life Contributions	49	45	36
Group Life Contribution Rate (based upon salary)	0.15%	0.15%	0.15%

**LADY'S ISLAND – ST. HELENA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 PENSION PLAN OBLIGATIONS - CONTINUED

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.

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.

**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, 2008

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 3,902,557	\$ 3,902,557	\$ 3,785,716	\$ (116,841)
Miscellaneous	-	-	3,381	3,381
Total Revenues	<u>3,902,557</u>	<u>3,902,557</u>	<u>3,789,097</u>	<u>(113,460)</u>
EXPENDITURES				
Current				
Public Safety - Fire Protection				
Personal Services				
Personnel salaries	2,465,355	2,465,355	2,400,742	64,613
FICA/Medicare	188,600	188,600	177,521	11,079
Unemployment	30,570	30,570	6,211	24,359
Retirement	253,931	253,931	257,947	(4,016)
Health insurance	435,000	435,000	388,574	46,426
Workman's Compensation	110,985	110,985	107,784	3,201
Total Personal Services	<u>3,484,441</u>	<u>3,484,441</u>	<u>3,338,779</u>	<u>145,662</u>
Materials and Services				
Fuel	47,600	47,600	61,224	(13,624)
Vehicle repairs and maintenance	35,000	35,000	29,394	5,606
Equipment repairs and maintenance	12,000	12,000	11,286	714
Buildings repairs and maintenance	15,000	15,000	12,708	2,292
Inspections	11,075	842	875	(33)
Utilities	20,000	20,000	18,882	1,118
Telephone	5,300	5,300	5,851	(551)
Water	4,400	4,400	4,994	(594)
Professional	8,450	8,450	3,542	4,908
Travel and Training	35,000	35,000	32,223	2,777
Office Supplies	11,500	11,500	11,292	208
Dues and Subscriptions	800	800	604	196
Miscellaneous	1,500	1,500	361	1,139
Uniform Replacement	55,000	55,000	54,637	363
Cleaning Supplies	7,500	7,500	7,465	35
Building Insurance	40,491	40,491	43,130	(2,639)
Medical/Physicals	20,000	20,000	16,473	3,527
Small Tools	7,500	7,500	3,842	3,658
Communication Equipment	5,000	5,000	4,307	693
Equipment	-	75,000	76,556	(1,556)
Total Materials and Services	<u>343,116</u>	<u>407,883</u>	<u>399,646</u>	<u>8,237</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, 2008**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
CAPITAL OUTLAY				
Fire Protection	\$ 75,000	\$ 10,233	\$ 10,233	\$ -
Total Capital Outlay	<u>75,000</u>	<u>10,233</u>	<u>10,233</u>	<u>-</u>
Total Expenditures	<u>3,902,557</u>	<u>3,902,557</u>	<u>3,748,658</u>	<u>153,899</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	40,439	40,439
Fund balance, beginning of year	413,632	413,632	413,632	-
Fund balance, end of year	<u>\$ 413,632</u>	<u>\$ 413,632</u>	<u>\$ 454,071</u>	<u>\$ 40,439</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
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008**

	DEBT SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 244,745	\$ 244,745	\$ 206,466	\$ (38,279)
Total Revenues	<u>244,745</u>	<u>244,745</u>	<u>206,466</u>	<u>(38,279)</u>
EXPENDITURES				
Public Safety - Fire Protection				
Debt Service	244,745	244,745	206,946	37,799
Total Expenditures	<u>244,745</u>	<u>244,745</u>	<u>206,946</u>	<u>37,799</u>
Excess (deficiency) of revenues over (under) expenditures			(480)	(480)
Fund balance, beginning of year	<u>9,829</u>	<u>9,829</u>	<u>9,829</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,829</u>	<u>\$ 9,829</u>	<u>\$ 9,349</u>	<u>\$ (480)</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, 2008**

SPECIAL REVENUE FUND - IMPACT FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Fees	\$ 150,000	\$ 150,000	\$ 86,484	\$ (63,516)
Miscellaneous	-	-	10,611	10,611
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>97,095</u>	<u>(52,905)</u>
EXPENDITURES				
Public Safety - Fire Protection				
Debt Service	<u>150,000</u>	<u>150,000</u>	<u>152,671</u>	<u>(2,671)</u>
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>152,671</u>	<u>(2,671)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(55,576)	(55,576)
Fund balance, beginning of year	<u>460,624</u>	<u>460,624</u>	<u>460,624</u>	<u>-</u>
Fund balance, end of year	<u>\$ 460,624</u>	<u>\$ 460,624</u>	<u>\$ 405,048</u>	<u>\$ (55,576)</u>

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