



LADY'S ISLAND - ST. HELENA

FIRE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

**LADY'S ISLAND - ST. HELENA FIRE DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lady's Island – St. Helena Fire District (LISH), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LISH's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of LISH, as of June 30, 2016, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and historical pension information on pages 3–9 and 34–38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the LISH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LISH's internal control over financial reporting and compliance.



Crowley Wechsler & Associates LLC
Beaufort, South Carolina
December 1, 2016

Lady's Island - St. Helena Fire District **Management's Discussion and Analysis**

As management of Lady's Island - St. Helena 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, 2016.

Financial Highlights

- The liabilities and deferred inflows of resources of LISH exceed its assets and deferred outflows at the close of the most recent fiscal year by \$(817,018) (net position). Of this amount \$1,156,819 (restricted net position) represents cash held by Beaufort County for debt service payments, one percent receipts, and impact fees. Another \$1,421,747 represents the investment in capital assets less depreciation and debt on those assets. The remaining deficit balance of \$(3,395,584) represents the equity in unrestricted net position. LISH's total net position increased by \$82,146.
- As of the close of the current fiscal year LISH's governmental funds reported a combined ending fund balance of \$2,676,983, a decrease of \$112,652.

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

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

The government-wide financial statements distinguish functions of 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 10 through 11 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 five 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 and the debt service 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 12 through 15 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 16 through 33 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a public government's financial position. In the case of LISH, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(817,018). Comparative information has been presented for 2015. The following table reflects the condensed government-wide statement of net position.

LADY'S ISLAND - ST. HELENA FIRE DISTRICT NET POSITION		
	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 2,812,818	\$ 2,929,846
Capital Assets	7,107,668	6,990,955
Total Assets	9,920,486	9,920,801
Deferred Outflows of Resources	606,742	532,403
Long-term Liabilities Outstanding	11,243,983	10,752,487
Other Liabilities	51,703	46,293
Total Liabilities	11,295,686	10,798,780
Deferred Inflows of Resources	48,560	553,588
Net Position		
Net Investment in Capital Assets	1,421,747	1,438,185
Restricted	1,156,819	1,261,906
Unrestricted	(3,395,584)	(3,599,255)
Total Net Position	\$ (817,018)	\$ (899,164)

LISH's net position of \$1,421,747 reflects its investment in capital assets less depreciation and 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. The \$1,156,819 represents the portion of net position restricted for payment of debt, impact fees, bond covenants, and the one percent fund. The remaining net position of \$(3,395,584) represents a deficit in the unrestricted net position. Overall net position increased \$82,146 from operations.

Governmental activities. LISH's total net position increased by \$82,146. Key elements of this decrease are as shown in the following table with comparative amounts for 2015.

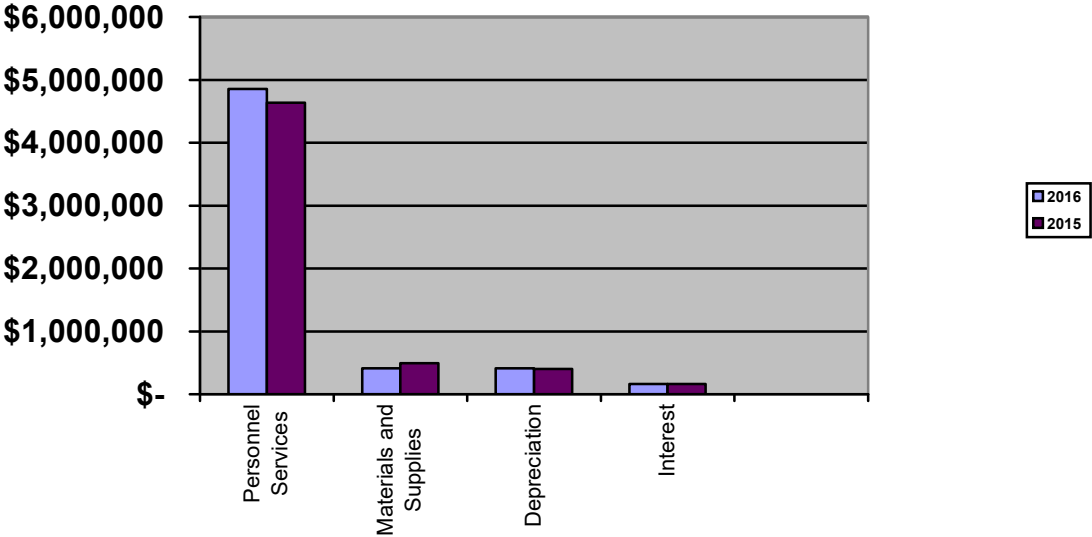
LADY'S ISLAND - ST. HELENA FIRE DISTRICT CHANGE IN NET POSITION		
	Governmental Activities	
	2016	2015
Expenses		
Public Safety - Fire Protection		
Personnel Services	\$ 4,857,402	\$ 4,636,779
Materials and Services	448,952	491,936
Depreciation	413,029	403,751
Interest	160,626	163,168
Total expenses	<u>5,880,009</u>	<u>5,695,634</u>
Net program expense		
General Revenues		
Taxes	5,640,561	5,264,000
Fees	321,532	261,756
Miscellaneous	62	152
Total general revenues	<u>5,962,155</u>	<u>5,525,908</u>
Change in net position	82,146	(169,726)
Net position - beginning	(899,164)	4,084,631
Prior period restatement for GASB 68	-	(4,814,069)
Net position - ending	<u>\$ (817,018)</u>	<u>\$ (899,164)</u>

An effort to keep expenses down resulted in most categories of expenses being under the budgeted amounts for the year with the most significant variances in materials and services.

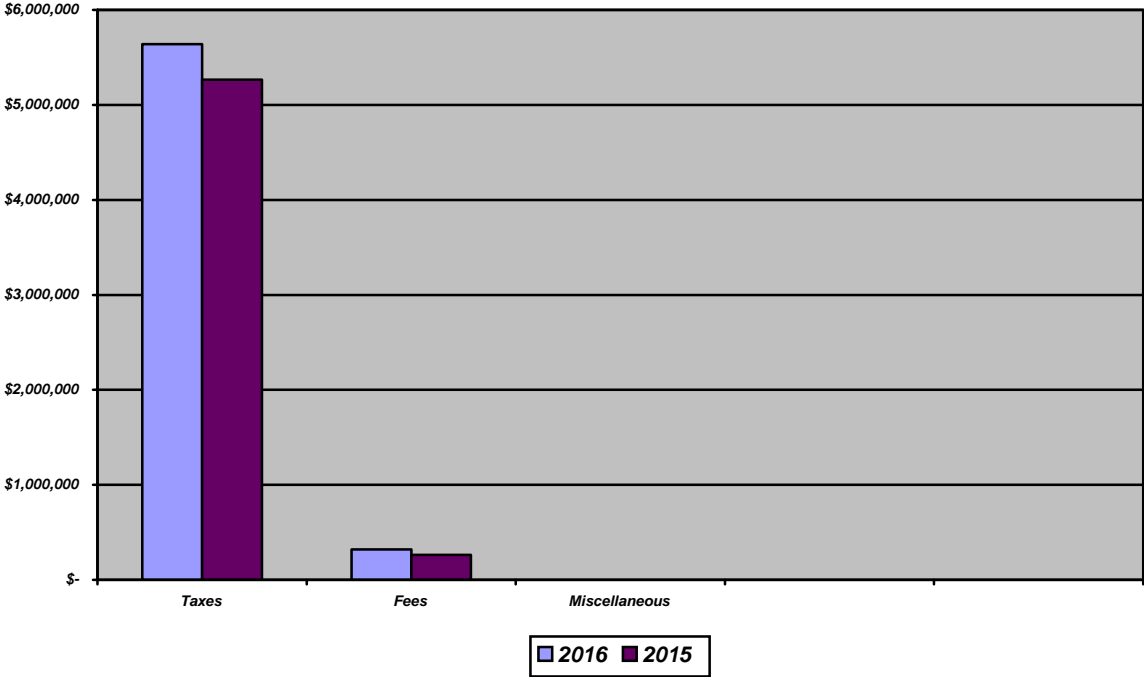
Depreciation expense as well as interest expense were comparable to the prior year.

Tax collections increased because assessed valuation went from \$134,477,330 from the reassessment year to \$137,626,000, an increase of 2.3%. Tax millage increased from 35.94 to 36.94 operations and decreased from at 2.36 to 2.20 for debt service. Fire impact fees were up approximately \$41,000 as well as one percent funds being up \$4,000.

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, unassigned 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 \$2,676,983, a decrease of \$112,652. The major governmental funds consist of the general fund, the capital projects fund, the debt service fund, the one percent fund, and the impact fund. Approximately \$159,362 is the favorable budget variance in the general fund with a positive variance in revenues of \$133,758 and a positive variance in expenditures of \$25,604. There was also a decrease in the capital projects fund of \$345,869. This decrease in the capital projects fund was due to the renovations of fire station 22. The impact fund and one percent fund increased \$114,176 and \$53,107, respectively. The debt service fund increased \$9,876.

Capital Assets and Debt Administration

Capital Assets. LISH's investment in capital assets for its governmental type activities as of June 30, 2016 amounts to \$7,107,668 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and vehicles. Increases in capital were \$469,948 for the renovations of station 22. Depreciation expense was \$413,029 for the year 2016 compared to \$403,751 in the year 2015.

	LADY'S ISLAND - ST. HELENA FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION	
	Governmental Activities	
	2016	2015
Land and Improvements	\$ 458,597	\$ 458,597
Construction in Progress	-	110,873
Buildings and Improvements	4,575,697	4,173,011
Furniture and Equipment	207,388	250,413
Vehicles	1,865,986	1,998,061
Total	<u>\$ 7,107,668</u>	<u>\$ 6,990,955</u>

Additional information on LISH's capital assets can be found in note 5 on page 22 of this report.

Long-term obligations. At the end of the current fiscal year, LISH had long-term obligations outstanding in the amount of \$11,243,983 due on compensated absences, net pension liability, and a bond. The general obligation bond in the amount of \$6,000,000 was taken out for the purpose of constructing a new fire station in 2013. Net pension liability increased \$599,308. Long-term obligations consisted of the following:

LADY'S ISLAND - ST. HELENA FIRE DISTRICT LONG-TERM DEBT OUTSTANDING		
	Governmental Activities	
	2016	2015
Bonds Payable	\$ 5,685,921	\$ 5,835,016
Compensated Absences	153,771	112,488
Net Pension Liability*	5,404,291	4,804,983
Total	<u>\$ 11,243,983</u>	<u>\$ 10,752,487</u>

*GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in the fiscal year ended June 30, 2015. The net position was restated for the net pension liability as of July 1, 2014.

Economic Factors and Next Year's Budgets

The budget for 2016-2017 increased from \$5,579,090 to \$5,509,396 for the operating budget. Millage increased from 36.94 to 37.92 for operations and remained at 2.20 for debt service. Any budget shortfalls are expected to be supplemented by the revenues received from the City of Beaufort.

Requests for information

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

BASIC FINANCIAL STATEMENTS

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Cash	\$ 396,337
Receivables	245,493
Due from Beaufort County Treasurer	2,117,498
Prepaid Insurance	53,490
Capital assets, not being depreciated	458,597
Capital assets, being depreciated	6,649,071
Total Assets	9,920,486

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows for Net Pension Liability	606,742
Total Deferred Outflows of Resources	606,742

Total Assets and Deferred Outflows of Resources	\$ 10,527,228
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LIABILITIES

Accounts Payable	23,847
Interest Payable	27,856
Noncurrent Liabilities	
Due within one year	183,443
Due in more than one year	11,060,540
Total Liabilities	11,295,686

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows for Net Pension Liability	48,560
Total Deferred Inflows of Resources	48,560

NET POSITION

Net Investment in Capital Assets	1,421,747
Restricted for Debt Service	35,508
Restricted for Impact Fund	605,380
Restricted for One Percent Fund	515,931
Unrestricted	(3,395,584)
Total Net Position	(817,018)

Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,527,228
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The notes to the financial statements are an integral part of this statement.

**LADY'S ISLAND - ST. HELENA FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

EXPENSES

Personnel Services	\$ 4,857,402
Materials and Supplies	448,952
Depreciation	413,029
Interest	160,626
Total Expenses	<u>5,880,009</u>

GENERAL REVENUES

Taxes	5,640,561
Fees	321,532
Miscellaneous	62
Total General Revenues	<u>5,962,155</u>
Change in Net Position	82,146
Net Position, beginning of year	(899,164)
Net Position, end of year	<u>\$ (817,018)</u>

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

**LADY'S ISLAND - ST. HELENA FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	GOVERNMENTAL FUND TYPES					TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	ONE PERCENT FUND	IMPACT FUND	
ASSETS						
Cash	\$ 396,337	\$ -	\$ -	\$ -	\$ -	\$ 396,337
Receivables	234,723	-	10,770	-	-	245,493
Due from Other Funds	-	378,019	-	-	-	378,019
Due from Beaufort County	965,153	-	31,034	515,931	605,380	2,117,498
Prepaid Insurance	53,490	-	-	-	-	53,490
Total Assets	<u>\$ 1,649,703</u>	<u>\$ 378,019</u>	<u>\$ 41,804</u>	<u>\$ 515,931</u>	<u>\$ 605,380</u>	<u>\$ 3,190,837</u>
LIABILITIES						
Accounts Payable	\$ 23,847	\$ -	\$ -	\$ -	\$ -	\$ 23,847
Due to Other Funds	378,019	-	-	-	-	378,019
Total Liabilities	<u>401,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,866</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues-Property Taxes	105,692	-	6,296	-	-	111,988
Total Deferred Inflows of Resources	<u>105,692</u>	<u>-</u>	<u>6,296</u>	<u>-</u>	<u>-</u>	<u>111,988</u>
FUND BALANCES						
Restricted	-	-	35,508	515,931	605,380	1,156,819
Assigned	-	378,019	-	-	-	378,019
Unassigned	1,142,145	-	-	-	-	1,142,145
Total Fund Balances	<u>1,142,145</u>	<u>378,019</u>	<u>35,508</u>	<u>515,931</u>	<u>605,380</u>	<u>2,676,983</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,649,703</u>	<u>\$ 378,019</u>	<u>\$ 41,804</u>	<u>\$ 515,931</u>	<u>\$ 605,380</u>	<u>\$ 3,190,837</u>

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

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

Total fund balances for governmental funds	\$	2,676,983
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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	\$	458,597	
Buildings and improvements, net of \$910,722 accumulated depreciation		4,575,697	
Vehicles, net of \$2,183,827 accumulated depreciation		1,865,986	
Furniture and equipment, net of \$450,432 accumulated depreciation		207,388	
Total Capital Assets			7,107,668

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 inflows in the funds.		111,988
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Deferred outflows and inflows of resources represents amounts applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources:			
Related to pensions		606,742	
Deferred inflows of resources:			
Related to pensions		(48,560)	
Total Deferred Outflows and Inflows of Resources			558,182

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 position.

Balances at June 30, 2016 are:

Annual Leave		(153,771)	
Net Pension Liability		(5,404,291)	
Interest Payable		(27,856)	
Premium on Bond		(100,921)	
Bond Payable		(5,585,000)	
Total Long-Term Liabilities			(11,271,839)

Total net position of governmental activities	\$	(817,018)
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The notes to the financial statements are an integral part of this statement.

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES					TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	ONE PERCENT FUND	IMPACT FUND	
REVENUES						
Taxes	\$ 5,330,750	\$ -	\$ 320,064	\$ -	\$ -	\$ 5,650,814
Fees	-	117,517	-	89,839	114,176	321,532
Miscellaneous	62	-	-	-	-	62
Total Revenues	<u>5,330,812</u>	<u>117,517</u>	<u>320,064</u>	<u>89,839</u>	<u>114,176</u>	<u>5,972,408</u>
EXPENDITURES						
Current:						
Public Safety - Fire Protection						
Personnel Services	4,796,178	-	-	-	-	4,796,178
Materials and Services	375,272	36,948	-	36,732	-	448,952
Debt Service:						
Principal	-	-	140,000	-	-	140,000
Interest	-	-	170,188	-	-	170,188
Capital Outlay:						
Fire Protection	-	529,742	-	-	-	529,742
Total Expenditures	<u>5,171,450</u>	<u>566,690</u>	<u>310,188</u>	<u>36,732</u>	<u>-</u>	<u>6,085,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159,362</u>	<u>(449,173)</u>	<u>9,876</u>	<u>53,107</u>	<u>114,176</u>	<u>(112,652)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	103,304	-	-	-	103,304
Transfers Out	(103,304)	-	-	-	-	(103,304)
Total Other Financing Sources (Uses)	<u>(103,304)</u>	<u>103,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	56,058	(345,869)	9,876	53,107	114,176	(112,652)
Fund balance, beginning of year	1,086,087	723,888	25,632	462,824	491,204	2,789,635
Fund balance, end of year	<u>\$ 1,142,145</u>	<u>\$ 378,019</u>	<u>\$ 35,508</u>	<u>\$ 515,931</u>	<u>\$ 605,380</u>	<u>\$ 2,676,983</u>

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

**LADY'S ISLAND - ST. HELENA 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, 2016**

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

Net change in fund balances - total governmental funds		\$ (112,652)
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 (\$529,742) was more than depreciation (\$413,029) in the current period.		116,713
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		140,000
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		(10,253)
Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	\$ 441,015	
Cost of benefits earned net of employee contributions	<u>(460,956)</u>	
Net change in pension contributions		(19,941)
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	(41,283)	
Interest and bond amortization	<u>9,562</u>	
Net change in expenses		<u>(31,721)</u>
Total change in net position of governmental activities		<u>\$ 82,146</u>

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

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

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

Reporting Entity

Lady's Island – St. Helena 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 in Beaufort County, South Carolina. LISH is an autonomous government whose appointed board controls its operations and fiscal accountability. LISH is a separate reporting entity established under South Carolina State Statute No. 1727. 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 LISH. Beaufort County has also endorsed and approved the issuance of general obligation bonds for the construction of the fire station on Lady's Island, South Carolina.

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

Basis of Presentation – Government-Wide Financial Statements

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

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

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation – Fund Financial Statements

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

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 *one percent fund* contains funds collected by Beaufort County as a tax collected from insurance companies and made available to the LISH for certain specific purposes. Those purposes include retirement and insurance, training and education, and recruitment and retention.

The *impact fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, including the general obligation bond payments.

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts and allocated to the various programs as indirect cost allocations. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement Focus and Basis of Accounting

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

LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the debt service fund. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g. grant awards and enabling legislation) and sometimes span a period of more than one fiscal year.

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

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

LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Cash and Cash Equivalents

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.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include buildings, equipment, and vehicles, are reported in the unrestricted net assets on the statement of financial position. 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.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10 - 30 years
Vehicles and Equipment	5 - 20 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has unavailable revenues resulting from property taxes that arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The statement of net position reports deferred inflows related to its net pension liability.

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Revenues and Expenses/Expenditures

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The County Ordinance provides for the taxation of all real and personal property located within LISH's district on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the County after September of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for fiscal year 2016 is 36.94 mills for operations and 2.36 mills for debt service.

Compensated Absences

LISH's policy permits employees to accumulate earned but unused vacation leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. LISH employees can accumulate leave for a maximum of 160 hours for personal leave and 90 hours for long term medical leave. Any amounts accrued in excess of the maximum limits are not carried forward. With sufficient notification of employment termination, unused personal leave will be paid up to the maximum accrued hours of 160. LISH has no financial liability for its long term medical leave. Therefore, a liability of \$153,771 has been recorded to reflect the accrued personal leave liability for each eligible employee and includes 18 % for related payroll costs for taxes and retirement. Compensated absences are paid from the general fund. Accumulated long term medical leave lapses when employees leave LISH.

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, 2016, the bank balance was covered by FDIC insurance and collateral pledged to them.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 were as follows:

	Fund Statements	Government-wide Statements
Taxes receivable	\$ 191,578	\$ 191,578
Reimbursements	53,915	53,915
Total Accounts Receivable	<u>\$ 245,493</u>	<u>\$ 245,493</u>

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 ACCOUNTS RECEIVABLE - CONTINUED

Government funds report deferred inflows in connection with receivables for revenues that are considered to be unavailable 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 unavailable revenue and unearned revenues reported in governmental funds were as follows:

	Unavailable Revenues	Unearned Revenues
Property taxes	\$ 111,988	\$ -

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.

Governmental Activities	June 30, 2015	Increases	Decreases	June 30, 2016
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 458,597	\$ -	\$ -	\$ 458,597
Construction in Progress	110,873	469,948	580,821	-
Total capital assets, not being depreciated	569,470	469,948	580,821	458,597
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,905,598	580,821	-	5,486,419
Furniture and equipment	657,820	-	-	657,820
Vehicles	4,033,291	59,794	43,272	4,049,813
Total capital assets being depreciated	9,596,709	640,615	43,272	10,194,052
Less accumulated depreciation for:				
Buildings and improvements	732,587	178,135	-	910,722
Furniture and equipment	407,407	43,025	-	450,432
Vehicles	2,035,230	191,869	43,272	2,183,827
Total accumulated depreciation	3,175,224	413,029	43,272	3,544,981
Total capital assets being depreciated, net	6,421,485	227,586	-	6,649,071
Governmental activities capital assets, net	\$ 6,990,955	\$ 697,534	\$ 580,821	\$ 7,107,668

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 PROPERTY AND EQUIPMENT – CONTINUED

Depreciation expense was \$413,029 for the year ended June 30, 2016. This amount was allocated to the functional departments as follows:

Governmental Activities	Balance
Public Safety Fire Protection	\$ 413,029
Total	\$ 413,029

NOTE 6 LONG TERM OBLIGATIONS

Changes in outstanding debt were as follows:

	June 30, 2015	Additions	Retirements	June 30, 2016	Due in One Year
Bond payable	\$ 5,725,000	\$ -	\$ 140,000	\$ 5,585,000	\$ 145,000
Premium on bond	110,016	-	9,095	100,921	-
Compensated absences	112,488	41,283	-	153,771	38,443
Net Pension Liability	4,804,983	972,037	372,729	5,404,291	-
Total	\$ 10,752,487	\$ 1,013,320	\$ 521,824	\$ 11,243,983	\$ 183,443

Interest paid for the year ended June 30, 2016 was \$169,938.

Long-term debt at June 30, 2016 consisted of the following:

Bond Payable	Balance
\$6,000,000 General Obligation bond payable for construction of fire station with interest from 2.0% to 3.5% amortized over 30 years.	\$ 5,585,000

The annual requirements to amortize debt payable as of June 30, 2016 are as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 145,000	\$ 167,138	\$ 312,138
2018	145,000	164,238	309,238
2019	150,000	161,338	311,338
2020	150,000	158,338	308,338
2021	155,000	155,338	310,338
2022-2026	835,000	721,488	1,556,488
2027-2031	960,000	598,850	1,558,850
2032-2036	1,120,000	443,850	1,563,850
2037-2041	1,325,000	247,013	1,572,013
2042-2043	600,000	31,675	631,675
Total	\$ 5,585,000	\$ 2,849,266	\$ 8,434,266

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS - CONTINUED

LISH'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 LISH. The latest assessed value for tax year 2015 was \$137,626,000. The computation of legal debt limits is as follows:

Debt limit-Assessed value (\$137,626,000 x 8%)	\$ 11,010,080
General obligation debt at June 30, 2016	<u>(5,585,000)</u>
Excess of debt limit over general obligation debt	<u><u>\$ 5,425,080</u></u>

Pension Plan

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

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

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

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

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one half of one percent per year.

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

Required employee contribution rates¹ for fiscal year 2015-2016 are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
SCRS		
Employee Class Two	8.16%	8.00%
Employee Class Three	8.16%	8.00%
PORS		
Employee Class Two	8.74%	8.41%
Employee Class Three	8.74%	8.41%

Required employer contribution rates¹ for fiscal year 2015-2016 are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
SCRS		
Employer Class Two	10.91%	10.75%
Employer Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	13.34%	13.01%
Employer Class Three	13.34%	13.01%
Employer Accidental Death Program	0.20%	0.20%
Employer Incidental Death Benefit	0.20%	0.20%

¹Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the evaluation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) ¹	4.0% to 10.0% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, for SCRS and PORS are presented as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
SCRS	\$ 191,382	\$ 109,072	\$ 82,310	57.00%
PORS	15,020,296	9,698,315	5,321,981	64.60%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, is based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50% assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes 4.75% real rate of return and a 2.75% inflation component.

<u>Asset class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 103,770	\$ 82,310	\$ 64,324
PORS	7,249,662	5,321,981	3,598,574

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2016, are presented below:

Description	SCRS	PORS
Service cost (annual cost of current service)	\$ 3,230	\$ 376,287
Interest on the total pension liability	13,663	1,062,984
Changes in plan benefits	-	-
Plan administrative costs	54	4,732
Plan member contributions	(3,108)	(260,916)
Expected return on plan assets	(8,218)	(723,220)
Recognition of current year amortization - Difference between expected and actual experience	608	35,798
Recognition of current year amortization - Difference between projected and actual investment earnings	(256)	(19,248)
Other	6	(2,590)
Total	\$ 5,979	\$ 473,827

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

The following schedule reflects the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2015.

	Difference between expected and actual experience			
	SCRS		PORS	
	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015
Initial Balance	\$ 2,817	\$ (194)	\$ 158,924	\$ 16,533
Amortization period¹	4.233	4.164	4.856	4.796
Amortized² period ending June 30,				
2014	\$ (665)	-	\$ (32,727)	-
2015	(665)	\$ 47	(32,727)	\$ (3,447)
2016	(665)	47	(32,727)	(3,447)
2017	(665)	47	(32,727)	(3,447)
2018	(157)	47	(28,016)	(3,447)
2019	-	6	-	(2,745)

	Difference between projected and actual investment earnings			
	SCRS		PORS	
	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015
Initial Balance	\$ (8,001)	\$ 6,594	\$ (683,978)	\$ 579,874
Amortization period³	5	5	5	5
Amortized² period ending June 30,				
2014	\$ 1,600	-	\$ 136,796	-
2015	1,600	\$ (1,319)	136,796	\$ (115,975)
2016	1,600	(1,319)	136,796	(115,975)
2017	1,600	(1,319)	136,796	(115,975)
2018	1,601	(1,319)	136,794	(115,975)
2019	-	(1,318)	-	(115,974)

**LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 LONG TERM OBLIGATIONS – CONTINUED

¹In accordance with GASB 68, paragraph 71a, the difference between each year's expected actual experience is required to be amortized over the average remaining service lives of all employees provided with pensions through the plan at June 30.

²Amount amortized and included in pension expense during the measurement period listed.

³In accordance with GASB 68, paragraph 71b, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5-year period.

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed in Pension Expense.

Employer Contributions

Employers' proportionate shares were calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2015. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions toward the purchase of employee service purchases and employer contributions paid by employees.

The following table provides a reconciliation of employer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the employer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer Allocations.

	SCRS	PORS
Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2015	\$ 4,442	\$ 406,439
Deduct: Employer Contributions Not Representative of Future Contribution Effort	(2)	(774)
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2015 Measurement Date	\$ 4,440	\$ 405,665

LADY'S ISLAND – ST. HELENA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: LONG TERM OBLIGATIONS - CONTINUED

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2015, and the accounting and financial reporting actuarial valuation as of June 30, 2015. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

NOTE 7 RISK MANAGEMENT

LISH purchases insurance policies divided into coverage of workers compensation and property and casualty from an 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.

In the normal course of business, LISH can be subject to various claims for workers compensation and other accidents. It is the opinion of LISH that resolution of these matters are covered under insurance in effect and will not have a materially adverse effect on the financial condition of LISH.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated events as of December 1, 2016, the date of these financial statements. LISH is experiencing budget overages estimated to be \$135,000 in overtime and repairs and maintenance due to Hurricane Matthew in October 2016 and anticipates a reimbursement from FEMA of 75% of this amount.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 5,197,054	\$ 5,197,054	\$ 5,330,750	\$ 133,696
Miscellaneous	-	-	62	62
Total Revenues	<u>5,197,054</u>	<u>5,197,054</u>	<u>5,330,812</u>	<u>133,758</u>
EXPENDITURES				
Current				
Public Safety - Fire Protection				
Personnel Services				
Personnel salaries	3,200,294	3,200,294	3,250,909	(50,615)
FICA/Medicare	243,734	243,734	241,666	2,068
Unemployment	8,000	8,000	189	7,811
Retirement	425,002	425,002	446,347	(21,345)
Health insurance	709,612	709,612	688,409	21,203
Workman's Compensation	184,566	184,566	168,658	15,908
Total Personnel Services	<u>4,771,208</u>	<u>4,771,208</u>	<u>4,796,178</u>	<u>(24,970)</u>
Materials and Services				
Fuel	65,000	65,000	42,381	22,619
Vehicle repairs and maintenance	55,000	55,000	56,933	(1,933)
Equipment repairs and maintenance	14,000	14,000	12,555	1,445
Buildings repairs and maintenance	20,000	20,000	24,296	(4,296)
Inspections	10,000	10,000	6,278	3,722
Utilities	28,500	28,500	26,515	1,985
Telephone	9,500	9,500	9,355	145
Water	7,500	7,500	7,474	26
Professional	10,250	10,250	9,696	554
Admin IT	50,000	50,000	46,302	3,698
Travel and Training	30,000	30,000	20,962	9,038
Office Supplies	2,500	2,500	2,188	312
Dues and Subscriptions	800	800	691	109
Uniform Replacement	43,000	43,000	30,384	12,616
Cleaning Supplies	8,500	8,500	7,232	1,268
Building Insurance	39,796	39,796	41,336	(1,540)
Medical/Physicals	24,000	24,000	25,511	(1,511)
Small Tools	5,000	5,000	4,109	891
Communication Equipment	2,500	2,500	1,074	1,426
Total Materials and Services	<u>\$ 425,846</u>	<u>\$ 425,846</u>	<u>\$ 375,272</u>	<u>\$ 50,574</u>

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
Total Expenditures	\$ 5,197,054	\$ 5,197,054	\$ 5,171,450	\$ 25,604
Excess (deficiency) of revenues over (under) expenditures	-	-	159,362	159,362
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(103,304)	(103,304)
Total Other Financing Sources (Uses)	-	-	(103,304)	(103,304)
Change in Fund Balance	-	-	56,058	56,058
Fund balance, beginning of year	1,086,087	1,086,087	1,086,087	-
Fund balance, end of year	<u>\$ 1,086,087</u>	<u>\$ 1,086,087</u>	<u>\$ 1,142,145</u>	<u>\$ 56,058</u>

**LADY'S ISLAND - ST. HELENA FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	DEBT SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 309,937	\$ 309,937	\$ 320,064	\$ 10,127
Total Revenues	<u>309,937</u>	<u>309,937</u>	<u>320,064</u>	<u>10,127</u>
EXPENDITURES				
Debt Service	309,937	309,937	310,188	(251)
Total Expenditures	<u>309,937</u>	<u>309,937</u>	<u>310,188</u>	<u>(251)</u>
Change in Fund Balance	-	-	9,876	9,876
Fund balance, beginning of year	25,632	25,632	25,632	-
Fund balance, end of year	<u>\$ 25,632</u>	<u>\$ 25,632</u>	<u>\$ 35,508</u>	<u>\$ 9,876</u>

LADY'S ISLAND - ST. HELENA FIRE DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE PENSION PLAN
LAST TEN FISCAL YEARS

SCRS

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Proportion of the Net Pension Liability	NA	NA	NA	NA	NA	NA	NA	NA	0.000441%	0.000434%
Proportionate Share of the Net Pension Liability	NA	NA	NA	NA	NA	NA	NA	NA	\$ 75,926	\$ 82,310
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	\$ 40,735	\$ 42,658
Proportionate Share of the New Pension Liability as a Percentage of Its Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	186.39%	192.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	NA	NA	NA	NA	NA	NA	NA	NA	59.90%	57.00%

PORS

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Proportion of the Net Pension Liability	NA	NA	NA	NA	NA	NA	NA	NA	0.24702%	0.24418%
Proportionate Share of the Net Pension Liability	NA	NA	NA	NA	NA	NA	NA	NA	\$ 4,729,057	\$ 5,321,981
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	\$ 3,025,098	\$ 3,175,378
Proportionate Share of the New Pension Liability as a Percentage of Its Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	156.33%	167.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	NA	NA	NA	NA	NA	NA	NA	NA	67.50%	64.60%

**LADY'S ISLAND - ST. HELENA FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

SCRS

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually Required Contribution	NA	NA	NA	NA	NA	NA	NA	NA	\$ 4,440	\$ 4,748
Contributions in Relation to the Contractually Required Contribution	NA	NA	NA	NA	NA	NA	NA	NA	4,440	4,748
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	\$ 40,735	\$ 42,658
Contributions as a Percentage of Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	10.90%	11.13%

PORS

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually Required Contribution	NA	NA	NA	NA	NA	NA	NA	NA	\$ 405,665	\$ 436,297
Contributions in Relation to the Contractually Required Contribution	NA	NA	NA	NA	NA	NA	NA	NA	405,665	436,297
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	\$ 3,025,098	\$ 3,175,378
Contributions as a Percentage of Covered-Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA	13.41%	13.74%

COMPLIANCE SECTION



CROWLEY WECHSLER & ASSOCIATES LLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Lady's Island – St. Helena Fire District (LISH), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LISH's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LISH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LISH's internal control. Accordingly, we do not express an opinion on the effectiveness of LISH's internal control.

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

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

Compliance and Other Matters

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

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Purpose of this Report

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



Crowley Wechsler & Associates LLC
Beaufort, South Carolina,
December 1, 2016