

BLUFFTON TOWNSHIP FIRE DISTRICT  
BLUFFTON, SOUTH CAROLINA  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2004

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Bluffton Township Fire District  
Annual Financial Report  
For The Year Ended June 30, 2004  
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Troy M. Lowther, CPA

## Independent Auditors' Report

The Board of Directors  
Bluffton Township Fire District  
Bluffton, South Carolina

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

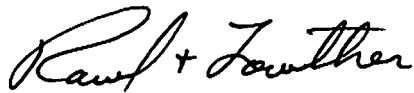
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Bluffton Township Fire District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Bluffton Township Fire District implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information; however, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bluffton Township Fire District, basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Bluffton Township Fire District. Such information has been subject to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Rawl & Lowther".

Rawl & Lowther, CPAs  
December 29, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Bluffton Township Fire District (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and notes. The District has implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), for the first time this year. Accordingly, much of this year's information is not comparable; however, in future years, comparisons will be more meaningful in explaining the District's financial position and results of operations.

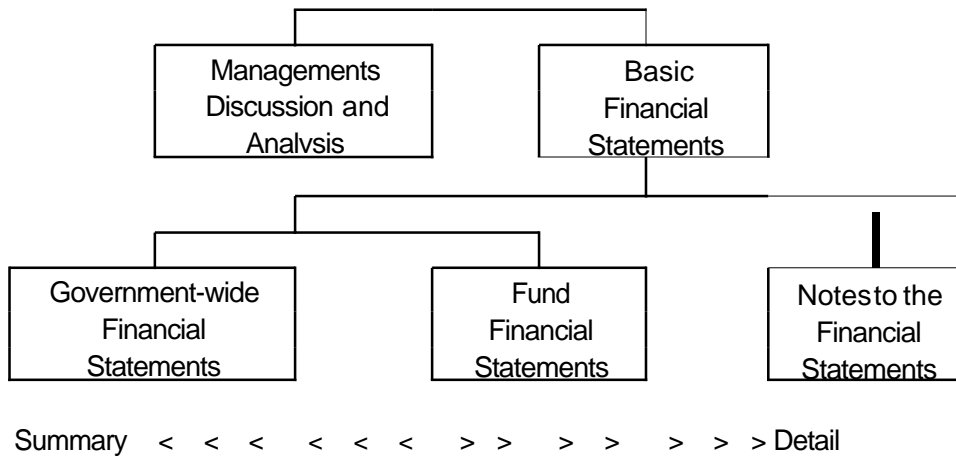
### Financial Highlights

- The net assets of the District were \$ 4,159,422 at June 30, 2004
- Total Net assets are comprised of the following:
  - (1) Capital assets of \$ 2,193,968 including land, buildings, machinery equipment and vehicles, furniture and fixtures net of accumulated depreciation and related debt.
  - (2) Restricted for debt service \$ 237,854
  - (3) Restricted for capital projects \$ 1,520,093.
  - (4) Unrestricted net assets of \$ 207,507.
- Total liabilities of the District decreased by \$ 125,845.
- The District's long-term debt decreased by \$190,660.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. The basic financial statements consist of three components; 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

## Required Components of Annual Financial Report



### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad view of the District's operations in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the District's overall status.

The first of these government-wide statements is the *Statement of Net Assets*. The *Statement of Net Assets* presents information on all to the District's assets and liabilities, with the difference between the two being reported as *net assets*. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Bluffton Township Fire District is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*. The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. In these financial statements the *Statement of Activities* is combined with the *Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances* (pages 14-15).

## Fund Financial Statements

These statements provide more detailed information about the District's most significant funds - not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only one fund type, the *Governmental Fund*.

*Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to reconcile the two types of statements.

The District maintains four governmental funds, and classifies all four as major governmental funds, the General Fund, the Debt Service Fund, the Special Revenue Fund, and the Capital Projects Fund. Information for these funds is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance.

## 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.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that includes this analysis and the General Fund budgetary comparison.

## Government-wide Financial Analysis

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2004 the District's assets exceeded liabilities by \$ 4,159,422.

The largest portions of the assets of the District are represented by the investment in capital assets net of depreciation of \$ 4,499,463 or 66%, and Accounts Receivable of \$ 2,215,952 or 32% assets. The District's largest liability is long-term debt of \$ 2,305,495 or 86%.

This fiscal year is the first year of implementation of GASB 34. In future years, a comparative analysis of government-wide data will be presented. The following is a summary of our net assets for the year ended June 30, 2004:

Net Assets June 30, 2004		Governmental <u>Activities</u>
Current Assets		\$2,326,507
Capital Assets - Net		<u>4,499,463</u>
Total Assets		<u>6,825,970</u>
Long-Term Liabilities		2,305,495
Other Liabilities		<u>361,053</u>
Total Liabilities		<u>2,666,548</u>
Net Assets:		
Invested in Capital Assets		2,193,968
Restricted		1,757,947
Unrestricted		<u>207,507</u>
Total Net Assets		<u>\$ 4,159,422</u>

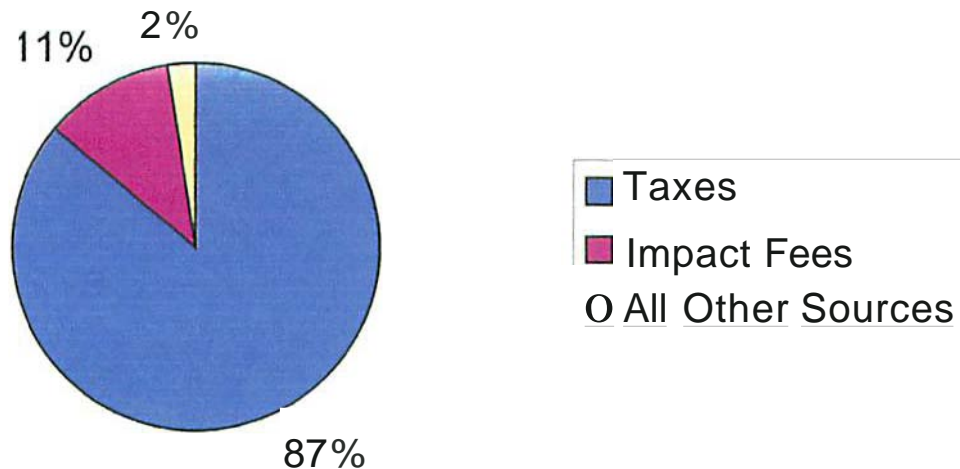
Change in Net Assets. This fiscal year is the first year of implementation of GASB 34. In future years, when detailed prior year information is available a comparative analysis of government-wide data will be presented.

Changes in Net Assets For the Year Ended June 30, 2004		Governmental <u>Activities</u>
Revenues:		
Taxes		\$ 5,143,520
Payments in Lieu of Taxes		6,031
Penalties & Interest		47,948
Contributions Received		73,479
Sale of Equipment		11,500
Impact Fees		684,333
False Alarm Fees		<u>9,000</u>
Total Revenues		<u>5,975,811</u>



Expenses:	
Salaries, Wages, and Benefits	4,303,144
Telephone and Utilities	73,406
Repairs	31,738
Equipment Rental	3,108
Office Supplies & Postage	23,510
Uniforms	27,617
Depreciation	321,553
Medical Supplies & Physicals	31,830
Professional Services	12,667
Vehicle Expenses	90,666
Small Tools and Supplies	38,160
Training	72,091
Public Education & Code Enforcement	14,460
Books, Subscriptions & Memberships	1,505
Cleaning & Sanitation	3,462
Insurance	63,924
Interest	121,027
Miscellaneous	603
Total Expenses	<u>5,234,471</u>
Increase (Decrease) in Net Assets	
Before Transfers	741,340
Transfers	
Increase (Decrease) in Net Assets	741,340
Net Assets - Beginning	<u>3,418,082</u>
Net Assets - Ending	<u>\$ 4,159,422</u>

### Revenues by Source - Governmental Activities



The graph presented above depicts revenues by source for the governmental activities of the District. This graph indicates that 87 percent of the revenue comes from Taxes, 11 percent from impact fees, and 2 percent from all other sources.

#### Financial Analysis of District Funds

**The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.**

The District has one fund group, governmental.

*Governmental funds.* The focus of the District's *governmental funds* is to provide **information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular the 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.**

As of the end of the current fiscal year the District's governmental funds reported ending fund balances of \$2,191,750. Of this amount \$ 433,803 is unrestricted

and available for future spending, \$ 237,854 is restricted for Debt Service and \$ 1,520,093 is restricted for future capital expenditures.

The following schedule presents a summary of all governmental fund revenues for the year ended June 30, 2004, and the amount and percentage of increase or decrease in relation to the prior year's revenues.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 6/30/03</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Taxes	\$ 5,143,520	86.8%	\$1,127,772	28.1%
Payments in lieu of Taxes	6,031	0.1%	105	1.8%
Penalties & Interest	47,948	0.8%	(21,478)	-30.9%
Contributions Received	25,479	0.4%	21,254	503.1%
Sale of Equipment	11,500	0.2%	11,500	100.0%
Impact Fees	684,333	11.5%	(125,465)	-15.5%
False Alarm Fees	9,000	0.2%	2,300	34.3%
Other Income	<u>                    </u>	<u>0.0%</u>	<u>(13,779)</u>	<u>-100.0%</u>
Total Revenues	<u>\$ 5,927,811</u>	<u>13.2%</u>	<u>\$1,002,209</u>	

The Most significant changes in revenues in the governmental fund were increases in Taxes and Contributions Received, and decreases in Impact Fees and Penalties and Interest.

The following schedule presents a summary of all governmental fund expenditures for the year ended June 30, 2004, and the amount and percentage of increase or decrease in relation to the prior year's expenditures.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 6/30/03</u>	<u>Percent Increase (Decrease)</u>
Expenditures:				
Salaries, Wages, and Benefits	\$ 4,277,585	77.85%	\$ 591,948	16.06%
Telephone and Utilities	73,406	1.34%	8,578	13.23%
Repairs	31,738	0.58%	(6,626)	-17.27%
Equipment Rental	3,108	0.06%	1,253	67.55%
Office Supplies & Postage	23,510	0.43%	12,318	110.06%
Uniforms	27,617	0.50%	5,034	22.29%
Medical Supplies & Physicals	31,830	0.58%	(3,423)	-9.71%
Professional Services	12,667	0.23%	432	3.53%
Vehicle Expenses	90,666	1.65%	14,754	19.44%
Small Tools and Supplies	38,160	0.69%	22,167	138.60%
Training	72,091	1.31%	32,194	80.69%
Public Education & Code Enforcement	14,460	0.26%	7,400	104.82%
Books, Subscriptions & Memberships	1,505	0.03%	(951)	-38.72%

Cleaning & Sanitation	3,462	0.06%	(3,939)	-53.22%
Insurance	63,924	1.16%	7,373	13.04%
Capital Outlays	416,423	7.58%	(181,638)	-30.37%
Debt Service	311,688	5.67%	(259,086)	-45.39%
Miscellaneous	603	<u>0.01%</u>	(8,452)	-93.34%
Total	<u>\$ 5,494,443</u>	100.00%	<u>\$ 239,336</u>	<u>4.86%</u>

The largest increases in expenditures were in Salaries, Wages and Benefits; Training; and Small Tools & Supplies. The largest decreases in expenditures were in Capital Outlays, and Debt Service.

### Budgetary Highlights

During the year the District decreased its budget by \$ 76,000 or 1.5%. Revenues exceeded the budget by \$ 269,713 or 5.6% and expenditures exceeded the budget by \$341,048 or 7%.

### Capital Assets and Debt Administration

#### Capital Assets

As of June 30, 2004 the District had \$ 4,499,463 invested in capital assets net of accumulated depreciation including land, buildings, vehicles, equipment, and furniture and fixtures. The following schedule details the assets at June 30, 2003 and June 30, 2004:

	Land & Buildings	Vehicles	Furniture & Equipment	Total
Assets				
Balance June 30, 2003	\$ 3,044,470	\$ 2,410,214	\$ 630,740	\$6,085,424
Increases		409,777	91,646	\$ 501,423
Decreases		(21,806)	(10,199)	\$ (32,005)
Balance June 30, 2004	<u>3,044,470</u>	<u>2,798,185</u>	<u>712,187</u>	<u>6,554,842</u>
Accumulated Depreciation				
Balance June 30, 2003	512,108	897,856	323,862	1,733,826
Increases	70,885	179,258	<b>71,410</b>	321,553
Decreases				
Balance June 30, 2004	<u>582,993</u>	<u>1,077,114</u>	<u>395,272</u>	<u>2,055,379</u>
Capital Assets Net	<u>2,461,477</u>	<u>1,721,071</u>	<u>316,915</u>	<u>4,499,463</u>

## Long-Term Debt

The District's long-term debt at June 30, 2004 was \$ 2,305,495 which is decrease from the previous year of \$190,661.

## Economic Factors and Next Year's Budget

For the past four or five years the area covered by the Bluffton Township Fire District is the fastest growing area of the fastest growing county in the state of South Carolina. This growth has and will continue to have a profound effect on the District's budgeting decisions. The District's budget must not only reflect maintaining the existing services it provides, but plan for expanding those service to accommodate new businesses and new residents. Due to aggressive planning over the last ten years the District has been able to keep up with the rapid expansion in its service area.

The 2005 fiscal year budget was prepared as a part of the annual budget process in 2004, and takes into consideration the growth potential of the District.

## Request for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief, Bluffton Township Fire District, 357 Fording Island Road, Bluffton, SC 29910.

Bluffton Township Fire District  
Statement of Net Assets  
June 30, 2004

<u>ASSETS</u>		
Cash and cash equivalents	\$	110,555
Due From Beaufort County		2,191,584
Taxes Receivable		24,368
Capital Assets, net of accumulated depreciation, where applicable		
Land		209,079
Buildings and improvements		2,252,399
Machinery, equipment, and automotive		2,020,427
Furniture, fixtures, and equipment		<u>17,558</u>
Total capital assets, net		<u>4,499,463</u>
Total assets		<u>6,825,970</u>
<u>LIABILITIES</u>		
Accounts Payable	\$	14,946
Salaries and benefits payable		119,812
Compensated Absences		226,295
Noncurrent liabilities		
Due within one year		195,358
Due in more than one year		<u>2,110,137</u>
Total liabilities		<u>2,666,548</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	\$	2,193,968
Restricted for		
Debt Service		237,854
Capital Projects		1,520,093
Unrestricted		<u>207,507</u>
Total net assets	\$	<u>4,159,422</u>

The accompanying notes are an integral part of this financial statement.

Bluffton Township Fire District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2004

	General	Debt Service	Special Revenue	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 110,555	\$	\$	\$	\$ 110,555
Due From Beaufort County	432,011	147,854	\$ 1,610,093	\$ 1,627	2,191,585
Accounts Receivable	24,368				24,368
Total assets	\$ 566,934	\$ 147,854	\$ 1,610,093	\$ 1,627	\$ 2,326,508
<b>LIABILITIES</b>					
Accounts Payable	\$ 14,946	\$	\$	\$	\$ 14,946
Salaries and benefits payable	119,812				119,812
Total liabilities	<u>134,758</u>				134,758
<b>FUND BALANCES</b>					
Reserved for:					
Debt Service		147,854	90,000		237,854
Capital Projects			1,520,093		1,520,093
Unreserved	432,176			1,627	433,803
Total fund balances	432,176	147,854	1,610,093	1,627	2,191,750
Total liabilities and fund balances	\$ 566,934	\$ 147,854	\$ 1,610,093	\$ 1,627	\$ 2,326,508

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	4,499,463
Compensated absences are not recognized as liabilities and therefore are not reported in the fund.	(226,295)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Please note rounding of one dollar.	(2,305,496)
Net assets of governmental activities	\$ 4,159,422

The accompanying notes are an integral part of this financial statement.

Bluffton Township Fire District  
Statement of Governmental Fund Revenues, Expenditures,  
and Changes in Fund Balances/Statement of Activities  
For the Year Ended June 30, 2004

	General Fund	Debt Service	Special Revenue	Capital Projects	Total	Reconciliation	Statement of Activities
<b>REVENUES:</b>							
<b>Taxes</b>	S 5,023,856	S 119,664	S	S	S 5,143,520	S	S 5,143,520
Payments in lieu of taxes	5,875	15(1			6,03\		6,031
Penalties	33,381	830			34,211		34,211
Interest	2,329		11,395	13	13,737		13,737
Contributions received	25,479				25,479	48,000	73,479
Sale of equipment	11,500				11,500		11,500
Impact fees			684,333		684,333		684,333
False alarm fees	9,000				9,000		9,000
Total revenues:	<b>5,111,420</b>	<b>120,650</b>	<b>695,728</b>	<b>13</b>	5,927,811	<b>48,000</b>	<b>5,975,811</b>
<b>EXPENDITURES/EXPENSES,</b>							
Personnel:							
Salaries	2,855,037				2,855,037	22,027	2,877,064
Overtime	341,062				341,062		341,062
Social Security	191,663				191,663	1,366	193,029
Medicare	44,824				44,824	320	45,144
Health Insurance	370,843				370,843		370,843
SC Retirement	6,861				6,861		6,861
PO Retirement	331,360				331,360	1,846	333,206
Employee Recognition Awards	6,642				6,642		6,642
Workmen's Compensation	119,642				119,642		119,642
Unemployment Taxes	9,651				9,651		9,651
Total Personnel	<b>4,277,585</b>				4,277,585	<b>25,559</b>	<b>4,303,144</b>
Bank fees	120				120		120
Postage	2,164				2,164		2,164
Telephone	40,338				40,338		40,338
Gas & Electricity	33,068				33,068		33,068
Repairs to Equipment	12,115				12,115		12,115
Repairs to Buildings	19,623				19,623		19,623
Equipment Rental	3,108				3,108		3,108
Office Supplies	21,346				21,346		21,346
Uniforms	27,617				27,617		27,617
Medical Supplies & Physicals	31,830				31,830		31,830
Professional Services	12,667				12,667		12,667



Vehicle <b>Fuel</b>	33,377				33,377			33,377
Vehicle Maintenance	57,289				57,289			57,289
<b>Small Tools &amp; Supplies</b>	38,160				38,160			38,160
Training	72,091				72,091			72,091
Public Education & Code Enforcement	14,460				14,460			14,460
Books, Subscriptions & Memberships	1,505				1,505			1,505
Cleaning & Sanitation	3,462				3,462			3,462
Miscellaneous	483				483			483
Depreciation						3	321,553	321,553
Insurance:								
Vehicle	34,659				34,659			34,659
Building	25,057				25,057			25,057
<b>Supplemental</b>	1,437				1,437			1,437
<b>Errors and omissions</b>	2,771				2,771			2,771
<b>Capital outlay</b>	416,423				416,423	4	(416,423)	
<b>Debt service:</b>								
Principal		45,208				190,661	5	(190,661)
Interest		7,214				121,027		121,027
Total expenditures	5,182,755	52,422	259,266		5,494,443		(259,972)	5,234,471
Excess (deficiency) of revenues over expenditures	(71,335)	68,228	436,462	13	433,368		307,972	741,340
<b>OTHER FINANCING SOURCES/USES:</b>								
Transfers-intra activities	342,571		(342,571)	-				
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	271,236	68,228	93,891	13	433,368		(433,368)	
<b>Changes in net assets</b>							741,340	741,340
Fund Balances/net assets:								
<b>Beginning</b> of the year	160,940		1,516,202	1,614	1,758,382			3,418,082
<b>End</b> of the year	\$ 432,176	147,854	\$ 1,610,093	\$ 1,627	2,191,750			4,159,422

- 1) Contributed assets reported in governmental activities are not reported in fund accounting.
- 2) Compensated Absences reported in governmental activities not reported in fund accounting.
- 3) Depreciation reported in governmental activities are not reported in fund accounting.
- 3) Capital outlays reported in fund accounting are treated as additions to assets in governmental accounting
- 4) Principal debt outlay reported in fund accounting are not reported in governmental accounting

The accompanying notes are an integral part of this financial statement

Bluffton Township Fire District  
Statement of Revenues, Expenditures, and  
and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	Differences <u>Over (Under)</u>	<u>GAAP Basis</u>
REVENUES:					
Taxes	\$ 4,917,708	\$ 4,841,707	\$ 5,023,856	\$ -	\$ 5,023,856
Payments in lieu of taxes			5,875		5,875
Penalties			33,381		33,381
Interest			2,329		2,329
Contributions received			25,479	48,000	73,479
Sale of equipment			11,500		11,500
Impact fees					
False alarm fees			9,000		9,000
Total revenues:	<u>4,917,708</u>	<u>4,841,707</u>	<u>5,111,420</u>	<u>48,000</u>	<u>5,159,420</u>
EXPENDITURES:					
Personnel:					
Salaries	2,885,612	2,825,612	2,855,037	22,027	2,877,064
Overtime	337,232	327,232	341,062		341,062
Social Security	175,765	175,765	191,663	1,366	193,029
Medicare	41,106	41,106	44,824	320	45,144
Health Insurance	447,000	447,000	370,843		370,843
SC Retirement	6,789	6,789	6,861		6,861
PO Retirement	285,891	295,891	331,360	1,846	333,206
Employee Recognition Awards	6,500	6,500	6,642		6,642
Workmen's Compensation	120,000	120,000	119,642		119,642
Unemployment Taxes	7,900	7,900	9,651		9,651
Total Personnel	<u>4,313,795</u>	<u>4,253,795</u>	<u>4,277,585</u>	<u>25,559</u>	<u>4,303,144</u>
Bank fees			120		120
Postage	3,200	3,200	2,164		2,164
Telephone	40,418	40,418	40,338		40,338
Gas & Electricity	46,000	46,000	33,068		33,068
Repairs 10 Equipment	16,620	16,620	12,115		12,115
Repairs 10 Buildings	25,000	25,000	19,623		19,623
Equipment Rental	2,693	2,693	3,108		3,108
Office Supplies	15,760	15,760	21,346		21,346

Uniforms	24,089	24,089	27,617	
Medical Supplies & Physicals	44,581	44,581	31,830	
Professional Services	13,800	13,800	12,667	
Vehicle Fuel	27,300	27,300	33,377	
Vehicle Maintenance	56,180	56,180	57,289	
Small Tools & Supplies	12,815	10,315	38,160	
Training	84,647	84,647	72,091	
Public Education & Code Enforcement	14,501	14,501	14,460	
Books, Subscriptions & Memberships	1,856	1,856	1,508	
Cleaning & Sanitation	7,997	7,997	3,462	
Miscellaneous			483	
Depreciation				3
Insurance:				
Vehicle	34,500	36,358	34,659	
Building	26,587	25,057	25,057	
Supplemental	2,016	2,016	1,437	
Errors and omissions	3,100	2,771	2,771	
Capital outlay	<u>100,253</u>	<u>86,753</u>	<u>416,423</u>	3
Total expenditures/expenses:	<u>4,917,708</u>	<u>4,841,707</u>	<u>5,182,755</u>	6
Excess (deficiency) of revenues over expenditures			<u>(71,335)</u>	
OTHER FINANCING SOURCES/USES:				
Transfers in			<u>342,571</u>	
Total other financing sources and uses:			<u>342,571</u>	
Net change in fund balance:			271,236	
Fund Balance - Beginning of the year			<u>160,940</u>	3
Fund Balance - End of the year		<u>S</u>	<u>432,176</u>	<u>S</u>

- 1) Governmental funds do not report contributed assets. Under GAAP, the cost of those assets is recognized.
- 2) Governmental funds do not report compensated absences or their effects. Under GAAP, these absences are reported with their effects on payroll.
- 3) Governmental funds report capital outlays in expenditures. Under GAAP, the cost of those assets is allocated over their useful lives and reported as depreciation expense.
- 4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the budget. This method differs from the fund balance reported because of the cumulative effect of transactions such as those listed above.

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The accompanying notes are an integral part of this financial statement.

BLUFFTON TOWNSHIP FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Bluffton Township Fire District (District) is presented to assist in understanding the District's financial statements.

A. Financial Reporting Entity

The Bluffton Township Fire District was established in June 1979 as a public service district within Beaufort County, South Carolina, and is a component unit of Beaufort County. Its purpose is to provide fire protection to the residents within the public service district, which includes all properties in Beaufort County south of the Broad River, with the exception of Hilton Head, and Daufuskie Islands.

The district maintains five fire stations located in the Bluffton, Callawassie, Pritchardville, Moss Creek, and Sun City areas of the county.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

1. Basis of Presentation

*Government-wide Statements:*

The government-wide statements include the *statement of net assets* and the *statement of activities*. These statements include the financial activities of the District, except for fiduciary activities such as employee pension plans. Since the District does not have any *business-type activities* these statements reflect only *governmental activities*.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

*Fund Financial Statements:*

The fund financial statements provide information about the District's funds. The emphasis of the fund financial statements is on major governmental funds, each is displayed in a separate column. The District has no proprietary (enterprise) funds, and treats each of its governmental funds as a major fund.

The following governmental funds are reported as major funds:

BLUFFTON TOWNSHIP FIRE DISTRICT  
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*General Fund:*

This fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt Service Fund:*

The Debt Service Fund is used to account for the accumulated resources for, and the payment of, general long-term debt, principal, interest and related costs, except for the general obligation bond that is being paid out of the Special Revenue Fund.

*Special Revenue Fund:*

The Special Revenue 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.

*Capital Projects Fund:*

The Capital Projects Fund is used to account for the resources restricted for the acquisition or construction of capital facilities.

2. Measurement Focus and Basis of Accounting

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in 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.

Governmental fund financial statements are reported using the current financial 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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

BLUFFTON TOWNSHIP FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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due. Proceeds of general long-term debt and for acquisitions under capital leases are reported as other financing sources.

Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including taxes and donations.

The susceptible to accrual concept under the modified accrual basis means that the revenue sources are deemed to be both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). When grant funds are received in advance, revenue recognition is deferred until qualifying expenditures are made. Other revenues, miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Private-sector standards of accounting and financial reporting (i.e. pronouncements of the Financial Accounting Standards Board (FASB) and opinions of the Accounting Principles Board (APB) issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The District does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

C. Related Party

The Beaufort County Council appoints the Commissioners of the Bluffton Township Fire District. The board members serve at the pleasure of the Beaufort County Council and may be removed from office by a simple majority vote of the Council.

The District's budget must be approved by the Commissioners and then must be submitted to the Beaufort County Council for their approval.

All property, vehicle and inventory taxes for the Fire District are collected by Beaufort County. The county holds these funds until they are remitted to, or used for, the district.

Beaufort County pays all salaries, overtime, payroll taxes, and retirement for the district. The county reduces the amount that is to be remitted to the Fire District for these expenditures.

BLUFFTON TOWNSHIP FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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D. Budgets and Budgetary Accounting

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

1. Prior to the end of May, the Chief submits to the District Commissioners a proposed operating budget covering the General Fund for the fiscal year commencing the following July I. The operating budget includes proposed expenditures and the means of financing them.
2. After the budget is approved by the District Commissioners it is forwarded to the Beaufort County Council budget committee for review and approval. Any changes required by the county budget committee are made and approved by the Commission. The budget is then submitted to the Beaufort County Council for approval as a part of the overall county budget.
3. The Beaufort County Council legally enacts the budget through passage of a county ordinance.
4. Budget amounts as shown in the financial statements are as originally adopted with approved additions and reductions added or subtracted to the related budget line items.

Special Revenue Fund, Debt Service Fund, and Capital Projects Fund - The District is not legally required to, and did not adopt a budget for these funds; accordingly there are no budgetary comparisons in these financial statements for these funds.

The Commission or Chief is authorized to transfer budgeted amounts among various expenditure accounts. However, the County Council must approve any revisions that alter the total revenues or expenditures.

E. Encumbrances

The District does not use the encumbrance method of accounting, which allows purchase orders, contracts, and other commitments for the expenditure of monies to be recorded in order to reserve a portion of any applicable appropriation.

F. Allowance for Doubtful Accounts

Management considers all accounts receivable to be fully collectible and accordingly no allowance for doubtful accounts is required.

BLUFFTON TOWNSHIP FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 2 - Change in Accounting Principle

As of and for the year ended June 30, 2004, the District implemented the following Governmental Accounting Standards Board pronouncements.

Statements

- No. 34 - *Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments.*
- No. 37 - *Basic Financial Statements - and Managements Discussion and Analysis -for State and Local Governments: Omnibus.*
- No. 38 - *Certain Financial Statement Note Disclosures.*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The more significant of the changes affecting the District as required by the new standards include.

- Inclusion of Management's Discussion and Analysis as required supplemental information,
- Basic financial statements that include
  - o Full accrual government-wide financial statements.
  - o Fund financial statements consisting of a series of statements that focus on the District's governmental funds.
  - o Schedules to reconcile the fund financial statements to the government-wide financial statements.
  - o Notes to the financial statements.

Note 3 - Cash

At June 30, 2004, the total cash deposits in the bank were temporarily over the \$ 100,000 FDIC insured limit; therefore, \$ 10,555 was not insured at that time. The balances fell below the insured limit shortly after the year-end.

Note 4 - Due From Beaufort County

The amounts due from Beaufort County represent cash that the County has collected for the District. The County has invested this money in the State of South Carolina's investment pool, with all interest on the District's share accruing to the District.



BLUFFTON TOWNSHIP FIRE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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Note 5 - Capital Assets

The additions and reductions in the General Fixed Asset Group of Accounts for the year ending June 30, 2004 are as follows:

	Land & <u>Buildings</u>	Vehicles	Machinery & <u>Equipment</u>	<u>Total</u>
Balance, June 30, 2003	\$ 3,044,471	\$ 2,410,214	\$ 630,740	\$ 6,085,425
Increases		409,777	91,646	501,423
Decreases		(21,807)	(10,199)	(32,006)
Balance, June 30, 2004	<u>3,044,471</u>	<u>2,798,184</u>	<u>712,187</u>	<u>6,554,842</u>
Accumulated Depreciation				
Balance, June 30, 2003	512,108	897,856	323,862	1,733,826.00
Increases	70,885	179,258	71,410	321,553.00
Decreases				
Balance, June 30, 2004	<u>582,993</u>	<u>1,077,114</u>	<u>395,272</u>	<u>2,055,379</u>
 Total Net Assets	 <u>\$ 2,461,478</u>	 <u>\$ 1,721,070</u>	 <u>\$ 316,915</u>	 <u>\$ 4,499,463</u>

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over estimated useful lives of 40 years, vehicles over useful lives of 10 to 15 years, and machinery and equipment over lives of 3 to 10 years.

In addition to the buildings owned by the district it has the exclusive use of a station that was built by Del Webb, Inc., at Sun City Hilton Head and donated to Beaufort County.

Note 6 - Long-Term Debt

A. Notes

The following is a summary of notes payable transactions of the District for the year ended June 30, 2004.

	Payable June 30, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Payable June 30, <u>2004</u>
Palmetto State Bank	144,271		45,208	99,063
BB&T	<u>236,885</u>		<u>55,453</u>	<u>181,432</u>
Total	\$ <u>381,156</u>	<u>-0-</u>	\$ <u>100,661</u>	\$ <u>280,495</u>

BLUFFTON TOWNSHIP FIRE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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Notes payable as June 30, 2004 consists of the following notes:

Palmetto State Bank, 10-year installment loan of \$ 404,712 at 5% secured by Real Estate at 155 Callawassie Drive, Okatie, SC to be repaid in annual installments of \$ 52,422 including interest, beginning on September 21, 1999. Early principal payments were made in September 1998 in the amount of \$ 54,746, and in September 2000 in the amount of \$ 50,000.

BB&T, 5 year installment loan of \$ 290,000 at 4.4% secured by a 2002 Pierce Sabre Pumper Truck to be repaid in annual installments of \$ 65,876 including interest, beginning on September 7, 2002.

~~199,063~~  
~~52,422~~ 2005  
~~46,664~~  
 181,432  
 65,876 2005  
 117,576  
 - t c  
 debt owed  
 \$162,197

The annual requirements to amortize the notes payable, as described in the preceding paragraph, at June 30, 2004 are as follows:

	Year Ending June 30,	Principal	Interest	Total
	2005	105,358	12,939	118,297
	2006	110,279	8,018	118,297
	2007	64,858	2,920	67,778
	Thereafter	-0-		-0-
Totals		\$280,495	\$23,877	\$304,372

**B. Bonds Payable**

The district issued 5% coupon bonds in July 2000, to be repaid in increasing annual principal payments with semi-annual interest payments.

\$ 2,025,000

The annual requirements to amortize the bonds payable as described in the preceding paragraph at June 30, 2004 is as follows:

	Year Ending June 30,	Principal	Interest	Total
	2005	90,000	101,250	191,250
	2006	235,000	96,750	331,750
	2007	245,000	85,000	330,000
	2008	320,000	72,750	392,750
	2010	390,000	56,750	446,750
	2011-2012	745,000	54,000	799,000
	Thereafter	-0-	-0-	-0-
		\$ 2,025,000	\$ 466,500	\$ 2,491,500

BLUFFTON TOWNSHIP FIRE DISTRICT  
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Note 7 - Compensated Absences

Employees of the district are entitled to vacation as follows:

O to 6 Months	3 Days
7 Months to 1 Year	3 Days per Quarter
1 to 4 Years	12 Days
5 to 9 Years	14 Days
10 to 14 Years	16 Days
15 to 19 Years	18 Days
20 to 25 Years	20 Days
Over 25 Years	22 Days

Employees will be paid only for unused current years vacation days upon separation from employment.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for those amounts is reported in the governmental funds only when they are payable from current resources.

An accrual for accumulated vacation pay, including the employer's share of social security, medicare and retirement, at June 30, 2004 in the amount of \$ 226,295 has been recorded in the government-wide financial statements.

Weekly employees accrue sick leave at a rate of one day per month to a maximum of 90 days. Shift employees accrue sick leave at a rate of twelve hours (112 day) per pay period (every two weeks) to a maximum of 2,160 hours or 90 days. Upon separation from employment any unused sick time is lost; therefore, no accrual has been made for sick leave.

Note 8 - Interest Income

Interest income for the year ended June 30, 2004 consists of \$ 13,737 earned and held by Beaufort County in the General, Special Revenue and Capital Project Funds see note 4.

Note 9. Pension Plans

The District participates in two State administered defined benefit pension plans: The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS). Both plans are cost-sharing multiple-employer Public Employee Retirement Systems (PERS).

The Retirement Division of the State Budget and Control Board administers the plans.

BLUFFTON TOWNSHIP FIRE DISTRICT  
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Both the South Carolina Retirement Systems and Police Officers Retirement Systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans provisions are established under Title 9 of the SC Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina system and Police Officers Retirement system is issued and publicly available by writing the South Carolina System, P.O. Box 11960, Columbia, SC 29921-1960.

Both employees and employers are required to contribute to the Plans under authority of Title 9 of the SC Code of Laws.

Employee required contributions to the Plans are as follows:

SCRS	6 % of Salary
PORS Class II	6.5 % of Salary

Employers are required to contribute at the following actuarially determined rates:

SCRS Local Government	6.7 %
PORS Class II	10.3 %

In addition to the above rate, Participating employers of the South Carolina Retirement Systems contribute .15 % of payroll to provide a group life insurance benefit for their participants. Participating employers under the Police Officers Retirement System also contribute .2 % of payroll to provide a group life insurance benefit and .2 % of payroll to provide an accidental death benefit for their participants.

All employers contribute at the actuarially required contribution rates.

Covered payroll, total payroll, and employer contributions are as follows:

<u>General Fund</u>	<u>SCRS</u>	<u>PORS</u>	<u>TOTAL</u>
Covered Payroll	\$ 100,161	\$ 3,117,965	\$ 3,218,126
Total Payroll	\$ 100,161	\$ 3,117,965	\$ 3,218,126
Employer Contribution	\$ 6,861	\$ 333,206	\$ 340,067

BLUFFTON TOWNSHIP FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2004

	<u>SCRS</u>	<u>PORS</u>
Membership	Generally all employees are required to participate in the system as a condition of employment.	Generally all full time employees whose principal duties are the preservation of public order, protection of public order, protection or prevention and control of property destroyed by fire.
Vesting Requirements	5 Years - entitled to a deferred annuity commencing at age 60.	5 Years - entitled to a deferred annuity commencing at age 55.
Normal Retirement	Age 65	Age 55
Requirement for Full Service Retirement	Age 65 with 5 years of service or 28 years of credited service.	Age 55 with 5 years of service or 25 years of credited service.
Early Retirement	Age 60 with 5 % reduction for each year under age 65; Age 55 with 25 years service, reduced by 4 % for each year of service under 28.	Not Applicable
Accidental Death	Not Applicable	Provides an annuity to the widow (or specified beneficiary) of a member whose death occur while in the performance of his duty. The annuity is equal to 50 % of the members compensation at the time of death.
Disability Retirement Requirements	5 Years of earned service unless injury is job related.	5 Years of earned service unless injury is job related.

BLUFFTON TOWNSHIP FIRE DISTRICT  
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	SCRS	<u>PORS</u>
Group Life Benefit	Lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service.	Lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service.
Actuarial Valuation Method	Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability.	Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability.
Interest Rate Assumption	7.25 % per annum, compounded annually.	7.25 % per annum, compounded annually.
Unfunded Accrued Liability (7-1-01)	(Amounts in thousands) \$ 3,148,400	\$ 176,776
Unfunded Accrued Liability Liquidation Period (7-1-01)	21 Years	15 Years

Note 10 - Risk Management

The District purchases various insurance policies providing coverage of workers compensation, tort, property and casualty, liability, and health insurance. Management believes that 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.

The District has recorded insurance premium expenditures in the applicable functional expenditure categories. These expenditures do not include estimated claim losses and estimable premium adjustment. There have been no significant reductions in insurance coverage since the prior year.