

BURTON FIRE DISTRICT
Financial Statements
and
Supplementary Financial Information
for the Year Ended
June 30, 1996

BURTON FIRE DISTRICT

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Report of Independent Certified Public Accountants

The Honorable Board of Commissioners
Burton Fire District
Burton, South Carolina

We have audited the accompanying general purpose financial statements of the Burton Fire District as of and for the year ended June 30, 1996. These general purpose financial statements are the responsibility of Burton Fire District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Burton Fire District as of June 30, 1996, and the results of its operations for the year then ended in conformity with Generally Accepted Accounting Principles.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Burton Fire District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



September 30, 1996

BURTON FIRE DISTRICT
 Combined Balance Sheets
 All Fund Types & Account Groups

June 30, 1996

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)	
	General	Debt Service	General Fixed Assets	General Long-Term Debt	June 30, 1996	June 30, 1995
Assets:						
Cash and investments	\$26,616	-	-	-	\$26,616	\$11,463
Cash-restricted (Beaufort County)	47,776	47,134	-	-	94,910	220,430
Due from other funds	203,339	-	-	-	203,339	203,339
Tax receivable-restricted	18,222	1,874	-	-	20,096	3,692
Prepaid expense	1,860	-	-	-	1,860	-
Amount to be provided for retirement of general long-term debt	-	-	-	1,021,793	1,021,793	1,130,505
Land	-	-	-	-	56,693	56,693
Buildings	-	-	56,693	-	706,434	700,140
Furniture & fixtures	-	-	706,434	-	17,665	12,240
Office equipment	-	-	17,665	-	90,004	71,817
General equipment	-	-	90,004	-	507,231	402,592
Motor vehicles	-	-	507,231	-	883,839	885,413
Total assets	\$297,813	\$49,008	\$2,261,866	\$1,021,793	\$3,630,480	\$3,698,324
Liabilities and Fund Equity:						
Accounts payable	-	-	-	-	-	\$53
Compensated absences payable	956	-	-	47,227	48,183	47,612
Retirement payable	8,018	-	-	-	8,018	10,323
Payroll taxes withheld	8,533	-	-	-	8,533	-
Due to other funds	193,569	9,770	-	-	203,339	9,771
Bonds payable	-	-	-	629,810	629,810	653,660
Notes payable	-	-	-	344,756	344,756	476,845
Total liabilities	211,076	9,770	-	1,021,793	1,242,639	1,198,264
Fund Equity:						
Investment in general fixed assets	-	-	2,261,866	-	2,261,866	2,128,895
Fund balance:						
Reserved for debt service	-	39,238	-	-	39,238	214,351
Unreserved	86,737	-	-	-	86,737	156,814
Total fund equity	86,737	39,238	2,261,866	-	2,387,841	2,500,060
Total liabilities and fund equity	\$297,813	\$49,008	\$2,261,866	\$1,021,793	\$3,630,480	\$3,698,324

The accompanying notes are an integral part of these financial statements.

BURTON FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types

For the Fiscal Year Ended June 30, 1996

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Debt Service	June 30, 1996	June 30, 1995
	Revenues:			
Beaufort County Treasurer	\$1,121,041	\$128,684	\$1,249,725	\$1,149,082
Interest	9,243	--	9,243	604
Other revenues	5,650	--	5,650	300
Total revenues	1,135,934	128,684	1,264,618	1,149,986
Expenditures:				
Salaries	591,379	--	591,379	538,526
Fuel and oil	11,919	--	11,919	9,875
Tuition, travel, meals and lodging	16,920	--	16,920	13,260
Telephone	6,961	--	6,961	4,073
Utilities	17,786	--	17,786	16,767
Firefighting supplies	3,308	--	3,308	1,991
First responder	1,065	--	1,065	1,235
Office supplies and photos	2,454	--	2,454	2,505
Repairs and maintenance	140,248	--	140,248	52,392
Dues and subscriptions	2,610	--	2,610	1,950
Employee insurance	120,791	--	120,791	85,210
Retirement	62,886	--	62,886	52,961
Liability insurance	26,555	--	26,555	24,387
Payroll taxes	10,876	--	10,876	8,794

Uniforms	9,239	--	9,239	4,684
Accounting and legal	5,426	--	5,426	6,227
Consulting and contract labor	6,125	--	6,125	12,125
Other general and administrative	14,044	--	14,044	8,365
Capital outlay-				
Current expenditures	221,352	--	221,352	406,139
Debt service-				
Principal retirement	--	221,588	221,588	51,628
Interest and fiscal charges	--	82,209	82,209	64,597
Total expenditures	1,271,944	303,797	1,575,741	1,367,691
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(136,010)	(175,113)	(311,123)	(217,705)
OTHER FINANCING SOURCES:				
Proceeds from notes	65,933	--	65,933	308,290
Total Other Financing Sources	65,933	--	65,933	308,290
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING	(70,077)	(175,113)	(245,190)	90,585
FUND BALANCES, July 1	156,814	214,351	371,165	280,580
FUND BALANCES, June 30	\$86,737	\$39,238	\$125,975	\$371,165

The accompanying notes are an integral part of these financial statements.

BURTON FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Compared to Budgetary Basis - General Fund

For the Fiscal Year Ended June 30, 1996

	Actual	Budget	Variance- Favorable (Unfavorable)
Revenues:			
Beaufort County Treasurer	\$1,121,041	\$1,349,083	*\$228,042
Interest	9,243	--	9,243
Other Revenues	5,650	--	5,650
Total revenues	1,135,934	1,349,083	(213,149)
Expenditures:			
Salaries	591,379	672,925	81,546
Fuel and oil	11,919	9,000	(2,919)
Tuition, travel, meals and lodging	16,920	14,820	(2,100)
Telephone	6,961	11,000	4,039
Utilities	17,786	18,460	674
Firefighting supplies	3,308	3,700	392
First responder	1,065	2,000	935
Office supplies and photos	2,454	2,200	(254)
Repairs and maintenance	140,248	96,141	(44,107)
Dues and subscriptions	2,610	1,725	(885)
Employee insurance	120,791	108,179	(12,612)
Retirement	62,886	65,827	2,941
Liability insurance	26,555	27,141	586
Payroll taxes	10,876	53,123	42,247

Uniforms	9,239	7,048	(2,191)
Accounting and legal	5,426	5,900	474
Consulting and contract labor	6,125	8,000	1,875
Other general and administrative	14,044	22,302	8,258
Current expenditures	221,352	219,592	(1,760)
Total expenditures	<u>1,271,944</u>	<u>1,349,083</u>	<u>77,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(136,010)</u>	<u>--</u>	<u>(136,010)</u>
OTHER FINANCING SOURCES:			
Proceeds from notes	65,933	--	65,933
Total Other Financing Sources	<u>65,933</u>	<u>--</u>	<u>65,933</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING	<u>(70,077)</u>	<u>--</u>	<u>(70,077)</u>
FUND BALANCES, July 1	156,814	--	156,814
FUND BALANCES, June 30	<u>86,737</u>	<u>--</u>	<u>86,737</u>

* This revenue includes budgeted capital expenditures of \$219,592.

The accompanying notes are an integral part of these financial statements.

BURTON FIRE DISTRICT**Notes to Financial Statements
June 30, 1996****Note 1 - Summary of Significant Accounting Policies**

The Burton Fire District (The Fire District) was created by the General Assembly of the State of South Carolina on February 15, 1973. The Fire District is governed by five board members appointed by the Beaufort County Council. As a governmental agency, it is tax exempt.

The Burton Fire District accounts for its financial position and results of operations in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental units, and accordingly utilizes the encumbrance method of accounting and reporting. The Fire District also applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Accordingly, Burton Fire District uses several funds and account groups which are described below.

A. Governmental Fund Types and Account Groups

A fund or account group is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. Burton Fire District maintains the following fund types and accounts groups:

1. **Governmental Fund Types**, that include the General Fund, and Debt Service Fund, are used to record the general operations of Burton Fire District.

General Fund - The General Fund is the general operating fund of Burton Fire District. It is used to account for all financial resources and expenditures, not pertaining to the service of debt.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of the general long-term obligation bond principal and interest, as well as other long-term debt.

2. **General fixed assets and general long-term debt account groups**, are used to account for property and equipment and long-term debt of governmental funds.

BURTON FIRE DISTRICT**Notes to Financial Statements (continued)
June 30, 1996****Note 1 - Summary of Significant Accounting Policies
(continued)**

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

B. Basis of Accounting

The Fire District maintains the modified accrual method of accounting. Under the modified accrual method, revenues are recognized when available and measurable. Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the liability is incurred, except for general obligation bond principle and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, automobile taxes, inventory taxes and interest income.

C. Fixed Assets

Property, plant and equipment used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group and are not depreciated. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

D. Long-Term Debt

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

E. Totals (Memorandum Only) Columns

The combined financial statements include total columns that aggregate the financial statements of the various fund types and account groups. The columns are

BURTON FIRE DISTRICT**Notes to Financial Statements (continued)
June 30, 1996****Note 1 - Summary of Significant Accounting Policies
(continued)**

designated "memorandum only" because the totals are not comparable to a consolidation in that inter-fund transactions are not eliminated.

F. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Fire District's financial position and operations. However, comparative (i.e., presentation of the prior year totals by fund type) data have not been presented in the General Fund statement because their inclusion would make the statement unduly complex and difficult to read.

G. Budgets and Budgetary Accounting

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

1. Prior to May 15, the Fire Chief submits to the Fire District Board of Commissioners a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and means of financing them.
2. After adoption by the Board of Commissioners, the budget is submitted to Beaufort County Council for approval prior to May 15.
3. Public hearings are conducted by Beaufort County Council to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through the passage of an ordinance.
5. The Fire Chief, upon approval of the Board of Commissioners, is authorized to transfer budgeted amounts between line items within the funds of the Fire District. This is accomplished through the mid-year review process of the budget procedure.

BURTON FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

**Note 1 - Summary of Significant Accounting Policies
(continued)**

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

H. Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances lapse at the close of the fiscal year.

I. Tax Collection

Burton Fire District is a component unit of Beaufort County, South Carolina, and as such, Beaufort County is responsible for collecting taxes for Burton Fire District and for holding the cash for Burton Fire District. Beaufort County then remits taxes to the Fire District from time to time, based on budgets approved by the Fire District's Council.

Additional receipts are maintained by the County on behalf of the Fire District and are recorded in the "Due from Other Funds" account. Receipts received on behalf of the debt service fund are maintained in a restricted cash account by the County and expended for debt servicing on behalf of the Fire District.

BURTON FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

Note 2 - Pension Costs

The Fire District participates in a State-run defined benefit pension system - The South Carolina Police Officer's Retirement System.

All full-time employees are eligible for and must become members of the Police Officer's Retirement System. Participants in the defined benefit plan vest after five years of plan participation. Employees defer a portion of their salary until termination, retirement, death or financial hardship. Retirement age is 55 with five years of service or 25 years of credited service. Disability benefits are available with five years of credited service unless the injury is job related. The normal cost is funded by contributions from the members at a rate of 6.5% of salary. The Fire District's share of normal cost is based on 10.3% of the participants' wages. No past service costs are assessed against the Fire District.

The Fire District's total payroll in fiscal year 1996 was \$591,379 while contributions were based on a payroll of \$610,535. Burton Fire District was required to contribute \$102,571, while the employees contributed \$39,685 for fiscal year 1996. Actual paid during the 1996 fiscal year equalled \$104,875.

Note 3 - Related Party Transactions

The Fire District is related to Beaufort County, South Carolina, in that it received the major portion of its revenues through property taxes assessed by Beaufort County.

The Fire District is participating in a long-term project with the Beaufort Jasper Water and Sewer Authority to install and maintain fire hydrants in the areas serviced by the Fire District.

The Fire District's Commission Chairman provides limited maintenance service (often at no charge to the Fire District) on vehicles through his business, Car Quest.

Note 4 - Debt Limitation

The Fire District's general obligation debt is limited by law to eight percent of the total assessed value of all taxable

BURTON FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

Note 4 - Debt Limitation (continued)

real and personal property of the district. The latest projected assessed value as of June 30, 1996, was \$29,070,880. The computation of legal debt limits is as follows:

General obligation debt limit (\$29,070,880 x 8%)	\$2,325,670
General obligation debt at June 30, 1996	<u>974,566</u>
Excess of debt limit over general obligation debt	<u>\$1,351,104</u>

Note 5 - General Long-Term Debt

Line of Credit:

Palmetto State Bank, \$602,499 line of credit through September 26, 2001, at 6.30% interest, payable in six equal annual installments of \$75,000, secured by fire fighting vehicles and the land and improvements of Station 892.	\$ <u>344,756</u>
	\$ <u>344,756</u>

General Obligation Bonds:

\$385,000 General Obligation Bonds, Series A of 1986 due in annual installments of \$36,699 through May 15, 2006. Payments include interest of 7.125%, unsecured.	\$ 253,594
\$428,000 General Obligation Bonds, Series B of 1986 due in annual installments of \$32,576 through May 15, 2026. Payments include interest of 7.125%, unsecured.	<u>376,216</u>
	\$ <u>629,810</u>

The General Obligation Bonds are with the Farmers Home Administration. Their covenants require an annual governmental audit (yellow book) with both a compliance report and an internal controls report. The bonds are

BURTON FIRE DISTRICT**Notes to Financial Statements (continued)
June 30, 1996****Note 5 - General Long-Term Debt (continued)**

unsecured, except by a promise to levy taxes for payment of the debt.

In February 1993, Burton Fire District entered into a financing agreement with Palmetto State Bank that permitted Burton Fire District to borrow through July 30, 1993, up to \$200,000 at the bank's rate of interest of 7.29%. Burton Fire District borrowed \$159,917 by June 30, 1993, and increased the line to \$200,000 in fiscal year 1994. This note was paid off in fiscal year 1995. The note was secured by fire fighting vehicles, apparatus and equipment.

In September 1984, Burton Fire District entered into a line of credit agreement with Palmetto State Bank that permitted Burton Fire District to borrow up to \$602,499 at the bank's rate of interest of 6.30% per year. The note has a six year term, and each of six payments is due on the anniversary date in the amount of \$75,000. The loan is secured with fire fighting equipment and with the land and building at Station 892.

As of June 30, 1996, only \$344,756 had been borrowed against this line of credit. \$56,364 had been used to pay off a Palmetto note of \$17,600, a second Palmetto note of \$5,503, and to make a payment plus interest on the \$200,000 line of credit. \$150,120 was used to purchase a rescue truck, \$165,933 was used for additional capital improvements. Payments were made against this note in fiscal year 1996.

BURTON FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

Note 5 - General Long-Term Debt (continued)

The total annual requirements to pay all debt outstanding as of June 30, 1996, including estimated interest of \$614,827 are as follows:

<u>Year(s) ended June 30,</u>	<u>Total Note Requirements</u>	<u>Total Bond Requirements</u>	<u>Total Requirements</u>
1997	\$ 71,272	\$ 69,275	\$ 140,547
1998	71,273	69,275	140,548
1999	71,274	69,275	140,549
2000	71,275	69,275	140,550
2001	<u>71,276</u>	<u>69,275</u>	<u>140,551</u>
Total debt service over the next 5 years	<u>356,370</u>	<u>346,375</u>	<u>702,745</u>
2002-2006	142,555	327,765	470,320
2007-2011	-	162,880	162,880
2012-2016	-	162,880	162,880
2017-2021	-	139,494	139,494
2022-2026	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service beyond the next 5 years	<u>142,555</u>	<u>793,019</u>	<u>935,574</u>
Total debt service requirements	<u>\$ 498,925</u>	<u>\$ 1,139,394</u>	<u>\$ 1,638,319</u>

Note 6 - Cash Restricted - Beaufort County

During the year ended June 30, 1996, Beaufort County collected money to be used by the Fire District to pay its debt service on the outstanding USDA Farmers' Home Administration notes payable, the General Obligation Bonds and the other notes listed above. These funds are held in escrow by the County and are reported in the Debt Service Fund.

Note 7 - Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts depending on tenure. Sick leave accrues to full-time permanent employees to specific maximums.

Generally, after one year of service, employees are entitled to their sick leave and accrued vacation upon termination or

BURTON FIRE DISTRICT**Notes to Financial Statements (continued)**
June 30, 1996**Note 7 - Compensated Absences (continued)**

their sick leave and accrued vacation plus one-fifth unused portion of sick leave upon retirement.

The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the Fire District's governmental fund is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the General Long-Term Debt Account Group.

Note 8 - Claims and Judgements

The Fire District's losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Schedule 1

BURTON FIRE DISTRICT
Schedule of Changes in General Long-Term Debt

	<u>General Long- Term Debt July 1, 1995</u>	<u>Additions</u>	<u>Reductions</u>	<u>General Long- Term Debt June 30, 1996</u>
Notes & Bonds	<u>\$ 1,130,505</u>	<u>\$ 344,756</u>	<u>\$ 500,695</u>	<u>\$ 974,566</u>

Schedule 2

BURTON FIRE DISTRICT
Schedule of Changes in General Fixed Assets

	<u>Balance</u> <u>July 1, 1995</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 1996</u>
Land	\$ 56,693	\$ -	\$ -	\$ 56,693
Buildings	700,140	7,252	(958)	706,434
Furniture & Fixtures	12,240	5,587	(162)	17,665
Office Equipment	71,817	21,812	(3,625)	90,004
General Equipment	402,592	145,994	(41,355)	507,231
Motor Vehicles	<u>885,413</u>	<u>40,706</u>	<u>(42,280)</u>	<u>883,839</u>
Total	<u>\$2,128,895</u>	<u>\$221,351</u>	<u>\$ (88,380)</u>	<u>\$2,261,866</u>

Chris Morris & Associates, PC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Council
Burton Fire District, South Carolina

We have audited the general purpose financial statements of Burton Fire District, South Carolina, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with Generally Accepted Auditing Standards and 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 general purpose financial statements are free of material misstatement.

The management of Burton Fire District, South Carolina, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (continued)**

In planning and performing our audit of the general purpose financial statements of Burton Fire District, South Carolina, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Burton Fire District, South Carolina, in a separate letter dated September 30, 1996.

This report is intended for the information of management, and the County Council of Burton Fire District. However, this report is a matter of public record and its distribution is not limited.

Chas. M. ...

Tucker, GA
September 30, 1996

SUPPLEMENTAL LETTER

The Honorable Board of Commissioners
Burton Fire District
Burton, South Carolina

In accordance with the requirements of the Farmer's Home Administration and the American Institute of Certified Public Accountants, the following supplemental letter is written to acquaint you with certain aspects of the Fire District which are not disclosed in the financial statements.

We recognize that with a limited number of accounting personnel, an ideal form of internal control is not possible. However, we believe an effort should be made to improve internal control where practicable.

A - Recommendations**COMPUTER RELATED RECOMMENDATIONS:****Expand Accounting System to Include Fund Accounting**

Because ACCPAC Plus is really designed to handle industry accounting (as are all PC based systems), modifications need to be made to produce more reliable government based financial statements. We have made numerous adjustments to the departmental function this year, and have found a way to make ACCPAC Plus General Ledger work as a fully functioning governmental software. Another product needs to be purchased and training done for it to make this system work as a government package. However, we have put extensive time into developing this system for audit purposes, and feel that the Fire District may want to consider using this system in order to produce more meaningful financial reports.

Data Back Up and Recovery

Data is being backed up regularly and stored on sight on floppy disks. The old 5 1/4" disks do not present the best backup, but is adequate for control purposes. However, we have noticed that data has been damaged on several occasions during the year and hardware has been damaged or destroyed by lightning. To help protect the equipment and the data, we recommend uninterruptable power supplies (UPSs) be added to each PC, especially the one where the accounting data is maintained. And we recommend you consider utilizing a tape backup system.

SUPPLEMENTAL LETTER (continued)**Network**

Two computers are used by the accounting department. Networking these computers should increase productivity. The costs are minimal, and we believe most of the ingredients already have been purchased. Such a system could ease tape backup, too.

OTHER RECOMMENDATIONS:**Mandatory Vacations**

Another method to ensure that adequate controls exist is to require administrative staff to take vacations. Such a procedure is recommended to help ensure adequate asset safeguarding.

Capitalization Procedures

We noted that a number of reclassifications between repairs and maintenance and capital assets have been made from time to time. A fixed asset system has been set up and the administrative assistant has begun utilizing this system. Proper fixed asset system implementation, and proper capitalization policies (such as what minimum amounts should be capitalized) should help alleviate this problem.

Debt Reserve for Farmer's Home Administration

The debt service fund had a reserve of \$39,238 with cash on hand of \$47,134 on the last day of the fiscal year ended June 30, 1996.

This report is intended solely for the information and use of management and the Burton Fire District Board of Commissioners. This restriction is not intended to limit distribution of this report, which is a matter of public record.

SUPPLEMENTAL LETTER (continued)

B - Insurance Coverage

	<u>Amount of Coverage</u>
22VP631142	
Volunteer Firefighters Blanket Accident Policy	
Accidental Death and Dismemberment Person	\$ 15,000
Accidental Total Disability Benefit Maximum Benefit	5,000
Accidental Total Disability Benefit Weekly Benefit Maximum Payment Period up to age 65	75
Accidental Partial Disability Benefit	38
 D1942134A	
Liability and Property	
Liability per occurrence (\$ 2 , 0 0 0 , 0 0 0 in aggregate)	\$1,000,000
Medical Coverage per person	5,000
Real Property Coverage Building #1	
Real Property	67,800
Personal Property	7,200
Real Property Coverage Building #2	
Real Property	34,100
Personal Property	7,200
Real Property Coverage Building #3	
Real Property	137,800
Personal Property	12,900
Real Property Coverage Building #4	
Real Property	553,300
Personal Property	2,100
Personal Property Off Premises Coverage Limit (special deduction of \$250)	10,000

B - Insurance Coverage (continued)

	<u>Amount of Coverage</u>
Money and Securities	
Location 1-1	
On Premises	\$ 1,000
Off Premises	1,000
Location 3-1	
On Premises	1,000
Off Premises	1,000
Location 4-1	
On Premises	1,000
Off Premises	1,000
Location 5-1	
On Premises	1,000
Off Premises	1,000
HO2793969	
Auto Liability and Collision	
Liability per occurrence	1,000,000
Uninsured/Underinsured Motorist	1,000,000
Comprehensive (deductible)	500
Collision (deductible)	500
Personal injury protection	1,000
XOOG-13162499	
Umbrella Liability	
Liability per incident	1,000,000
VARG-15445312	
Errors and Omissions	
Liability per claim	1,000,000
J01309936	
Position Fidelity Bond	
Chairman	100,000
Treasurer	100,000

SUPPLEMENTAL LETTER (continued)**C - General**

1. The financial reports included in the audit are in agreement with the records of Burton Fire District.
2. Burton Fire District's funds are deposited in institutions insured by the Federal Government.
3. Burton Fire District is exempt from Federal income tax.