

**BURTON FIRE DISTRICT**  
**Financial Statements**  
**and**  
**Supplementary Financial Information**  
**for the Year Ended**  
**June 30, 1998**

# BURTON FIRE DISTRICT

## Table of Contents

	Page
Report of Independent Certified Public Accountants	2
Combined Balance Sheets	3
Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Fund Types	4-5
Statement of Revenues, Expenditures and Changes in Fund Balances, Compared to Budgetary Basis -General Fund	6-7
Notes to Financial Statements	8-16
Schedules:	
Schedule 1 - Schedule of Changes in General Long-Term Debt	17
Schedule 2 - Schedule of Changes in General Fixed Assets	18
Schedule 3 - Supplemental Letter	19-21
Independent Auditor's Report on Internal Control	22-25

# Chris Morris & Associates, PC

Certified Public Accountants

4229 First Avenue, Suite D  
Tucker, GA 30084  
(770) 493-7578

P.O. Box 2544  
Lilburn, GA 30226-2544  
FAX (770) 491-7290

## 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, 1998. 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, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general purpose 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.

*Chris Morris, CPA, PC*

October 31, 1998

BURTON FIRE DISTRICT  
 Combined Balance Sheets  
 All Fund Types & Account Groups  
 June 30, 1998

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Capital Projects	General Fixed Assets	General Long- Term Debt	June 30, 1998	June 30, 1997 *
<b>Assets:</b>							
Cash and investments	\$70,054	--	--	--	--	\$70,054	\$69,832
Prepaid expense	3,720	--	--	--	--	3,720	3,371
Restricted -							
Cash (Beaufort County)	(7,386)	80,799	48,394	--	--	121,807	37,374
Tax receivable (Beaufort County)	32,016	4,259	3,847	--	--	40,122	31,392
Land	--	--	--	56,693	--	56,693	56,693
Buildings	--	--	--	713,936	--	713,936	713,936
Furniture & fixtures	--	--	--	28,403	--	28,403	27,629
Office equipment	--	--	--	95,482	--	95,482	95,481
General equipment	--	--	--	599,898	--	599,898	581,567
Motor vehicles	--	--	--	1,159,594	--	1,159,594	1,159,594
Amount to be provided for retirement of general long-term debt	--	--	--	--	1,049,360	1,049,360	1,164,063
<b>Total assets</b>	<b>\$98,404</b>	<b>\$85,058</b>	<b>\$52,241</b>	<b>\$2,654,006</b>	<b>\$1,049,360</b>	<b>\$3,939,069</b>	<b>\$3,940,932</b>
<b>Liabilities and Fund Equity:</b>							
Compensated absences payable	--	--	--	--	78,122	78,122	76,492
Retirement payable	10,889	--	--	--	--	10,889	9,799
Payroll liability	31,767	--	--	--	--	31,767	1,717
Bonds payable	--	--	--	--	580,678	580,678	606,393
Notes payable	--	--	--	--	390,560	390,560	481,178
<b>Total liabilities</b>	<b>42,656</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,049,360</b>	<b>1,092,016</b>	<b>1,175,579</b>
<b>Fund Equity:</b>							
Investment in general fixed assets	--	--	--	2,654,006	--	2,654,006	2,634,900
Fund balance:							
Reserved for debt service	--	85,058	--	--	--	85,058	79,724
Reserved for capital projects	--	--	52,241	--	--	52,241	25,524
Unreserved	55,748	--	--	--	--	55,748	25,205
<b>Total fund equity</b>	<b>55,748</b>	<b>85,058</b>	<b>52,241</b>	<b>2,654,006</b>	<b>--</b>	<b>2,847,053</b>	<b>2,765,353</b>
<b>Total liabilities and fund equity</b>	<b>\$98,404</b>	<b>\$85,058</b>	<b>\$52,241</b>	<b>\$2,654,006</b>	<b>\$1,049,360</b>	<b>\$3,939,069</b>	<b>\$3,940,932</b>

\* Certain items have been restated, see Note 11.  
 The accompanying notes are an integral part of these financial statements.

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

For the Fiscal Year Ended June 30, 1998

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Capital Projects	June 30, 1998	June 30, 1997 *
<b>Revenues:</b>					
Taxes - Beaufort County Treasurer	\$1,390,106	\$185,533	\$24,464	\$1,600,103	\$1,469,818
Interest	1,618	7,956	2,253	11,827	8,579
Other revenues	785	--	--	785	1,305
<b>Total revenues</b>	<b>1,392,509</b>	<b>193,489</b>	<b>26,717</b>	<b>1,612,715</b>	<b>1,479,702</b>
<b>Expenditures:</b>					
<b>Current -</b>					
Salaries	886,948	--	--	886,948	755,719
Employee insurance	132,628	--	--	132,628	135,219
Retirement	86,445	--	--	86,445	76,559
Payroll taxes	14,344	--	--	14,344	12,974
Repairs and maintenance	74,838	--	--	74,838	57,961
Liability insurance	38,092	--	--	38,092	29,882
Utilities	18,865	--	--	18,865	18,716
Fuel and oil	11,583	--	--	11,583	13,507
Tuition, travel, meals and lodging	18,757	--	--	18,757	12,176
Uniforms	13,697	--	--	13,697	11,224
Consulting and contract labor	2,115	--	--	2,115	5,225
Accounting and legal	5,073	--	--	5,073	4,425
Telephone	6,725	--	--	6,725	3,343
Firefighting supplies	8,427	--	--	8,427	2,118
First responder	1,806	--	--	1,806	1,120
Office supplies and photos	3,780	--	--	3,780	2,019
Dues and subscriptions	2,302	--	--	2,302	1,645

Fire hydrant rental	--	--	--	--	4,912
Other general and administrative	12,491	--	--	12,491	6,173
Capital outlay -					
Current expenditures	19,105	--	--	19,105	176,032
Debt service -					
Principal retirement	--	160,008	--	160,008	122,496
Interest and fiscal charges	3,945	28,147	--	32,092	21,779
Total expenditures	<u>1,361,966</u>	<u>188,155</u>	<u>--</u>	<u>1,550,121</u>	<u>1,475,224</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>30,543</u>	<u>5,334</u>	<u>26,717</u>	<u>62,594</u>	<u>4,478</u>
OTHER FINANCING SOURCES:					
Proceeds from notes	--	--	--	--	--
Sale of General Fixed Assets	--	--	--	--	--
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>30,543</u>	<u>5,334</u>	<u>26,717</u>	<u>62,594</u>	<u>4,478</u>
FUND BALANCES, July 1	25,205	79,724	--	104,929	125,975
Restatements - NOTE 11	--	--	25,524	25,524	--
FUND BALANCES, June 30	<u>\$55,748</u>	<u>\$85,058</u>	<u>\$52,241</u>	<u>\$193,047</u>	<u>\$130,453</u>

\* Certain items have been restated, see Note 11.  
The accompanying notes are an integral part of these financial statements.

**BURTON FIRE DISTRICT**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General and Debt Service Funds**

For the Fiscal Year Ended June 30, 1998

	General Fund			Debt Service Fund		
	Actual	Budget	Variance- Favorable (Unfavorable)	Actual	Budget	Variance- Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes - Beaufort County Treasurer	\$1,390,106	\$1,428,532 *	(\$38,426)	\$185,533	\$188,164 *	(\$2,631)
Interest	1,618	--	1,618	7,956	--	7,956
Other Revenues	785	--	785	--	--	--
Total revenues	1,392,509	1,428,532	(36,023)	193,489	188,164	5,325
<b>Expenditures:</b>						
<b>Current -</b>						
Salaries	886,948	906,856	19,908	--	--	--
Employee insurance	132,628	162,574	29,946	--	--	--
Retirement	86,445	90,066	3,621	--	--	--
Payroll taxes	14,344	16,187	1,843	--	--	--
Repairs and maintenance	74,838	73,100	(1,738)	--	--	--
Liability insurance	38,092	39,369	1,277	--	--	--
Utilities	18,865	22,150	3,285	--	--	--
Fuel and oil	11,583	13,000	1,417	--	--	--
Tuition, travel, meals and lodging	18,757	20,300	1,543	--	--	--
Uniforms	13,697	14,730	1,033	--	--	--
Consulting and contract labor	2,115	3,500	1,385	--	--	--
Accounting and legal	5,073	5,800	727	--	--	--
Telephone	6,725	6,000	(725)	--	--	--
Firefighting supplies	8,427	4,000	(4,427)	--	--	--

First responder	1,806	1,500	(306)	--	--	--
Office supplies and photos	3,780	3,300	(480)	--	--	--
Dues and subscriptions	2,302	1,400	(902)	--	--	--
Fire hydrant rental	--	--	--	--	--	--
Other general and administrative	12,491	21,200	8,709	--	--	--
Capital outlay-						
Current expenditures	19,105	23,500	4,395	--	--	--
Debt service-	--					
Principal retirement	--	--	--	160,018	160,018	--
Interest and fiscal charges	3,945	--	(3,945)	28,147	28,146	(1)
Total expenditures	<u>1,361,966</u>	<u>1,428,532</u>	<u>66,566</u>	<u>188,165</u>	<u>188,164</u>	<u>(1)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>30,543</u>	<u>--</u>	<u>30,543</u>	<u>5,324</u>	<u>--</u>	<u>5,324</u>
OTHER FINANCING SOURCES:						
Proceeds from notes	--	--	--	--	--	--
Sale of General Fixed Assets	--	--	--	--	--	--
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>30,543</u>	<u>--</u>	<u>30,543</u>	<u>5,324</u>	<u>--</u>	<u>5,324</u>
FUND BALANCES, July 1	<u>25,205</u>	<u>--</u>	<u>25,205</u>	<u>79,724</u>	<u>--</u>	<u>79,724</u>
FUND BALANCES, June 30	<u>\$55,748</u>	<u>--</u>	<u>\$55,748</u>	<u>\$85,048</u>	<u>--</u>	<u>\$85,048</u>

\* The County approved capital expenditures of \$23,500.  
The accompanying notes are an integral part of these financial statements.



**BURTON FIRE DISTRICT****Notes to Financial Statements  
June 30, 1998****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 four 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.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the acquisition or construction of capital assets being financed from General Obligation Bonds, grants or special assessments. This fund includes the impact fund, which is a special assessment made by Beaufort County for special capital requirements.

**BURTON FIRE DISTRICT****Notes to Financial Statements  
June 30, 1998****Note 1 - Summary of Significant Accounting Policies  
(continued)**

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.

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.

Burton Fire District is exempt from Federal income tax.

**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.

**BURTON FIRE DISTRICT****Notes to Financial Statements  
June 30, 1998****Note 1 - Summary of Significant Accounting Policies  
(continued)****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 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

**BURTON FIRE DISTRICT****Notes to Financial Statements  
June 30, 1998****Note 1 - Summary of Significant Accounting Policies  
(continued)**

Fire District. This is accomplished through the mid-year review process of the budget procedure.

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 revenue is maintained by the County on behalf of the Fire District and is recorded in the "Restricted Cash" and "Taxes Receivable" accounts. 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.

**Note 2 - Pension Costs**

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

**BURTON FIRE DISTRICT**

Notes to Financial Statements  
June 30, 1998

**Note 2 - Pension Costs (continued)**

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 1998 was \$886,948 while contributions were based on a payroll of \$819,121. Burton Fire District was required to contribute \$86,445, while the employees contributed \$54,444 for fiscal year 1998. Actual paid during the 1998 fiscal year equaled \$133,282.

**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.

**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 real and personal property of the district. The latest projected assessed value as of June 30, 1998, was \$30,970,148. The computation of legal debt limits is as follows:

General obligation debt limit (\$30,970,148 x 8%)	\$2,477,612
General obligation debt at June 30, 1998	<u>971,238</u>
Excess of debt limit over general obligation debt	<u>\$1,506,374</u>

**BURTON FIRE DISTRICT**

Notes to Financial Statements  
June 30, 1998

**Note 5 - General Long-Term Debt**

**Notes:**

Palmetto State Bank, \$344,756 note through January 30, 2002, 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.      \$ 234,975

Palmetto State Bank, \$190,000 note through March 28, 2002, at 5.00% interest, payable in five equal annual installments of \$43,888, secured by a fire fighting vehicle.      155,585

\$ 390,560

**General Obligation Bonds:**

\$385,000 General Obligation Bonds, Series A due in annual installments of \$36,699 through May 15, 2006. Payments include interest of 7.125%, unsecured.      \$ 215,568

\$428,000 General Obligation Bonds, Series B due in annual installments of \$32,576 through May 15, 2026. Payments include interest of 7.125%, unsecured.      365,110

\$ 580,678

The General Obligation Bonds are with the Farmer's Home Administration. Their covenants require an annual governmental audit (yellow book) with both a compliance report and an internal controls report. The bonds are unsecured, except by a promise to levy taxes for payment of the debt.

In January 1997, Burton Fire District entered into a loan agreement with Palmetto State Bank that permitted Burton Fire District to borrow up to \$344,756 at the bank's rate of interest of 6.30% per year. The note has a six year term, and each of the payments is due on the anniversary date in the amount of \$75,000. The loan is secured with

**BURTON FIRE DISTRICT**

Notes to Financial Statements  
June 30, 1998

**Note 5 - General Long-Term Debt (continued)**

2.22 acres located in Burton on Port Royal Island, including Station 892 and with additional security on various vehicles and apparatus.

In March 1997, Burton Fire District entered into a loan agreement with Palmetto State Bank that permitted Burton Fire District to borrow up to \$190,000 at the bank's rate of interest of 5% per year. The note has a five year term, and each of the five payments is due on the anniversary date in the amount of \$43,888. The loan is secured with a KME Model 1500 GPM Pump with a 1000 gallon fiberglass tank mounted, that was purchased with this loan.

The total annual requirements to pay all debt outstanding as of June 30, 1998, including estimated interest are as follows:

<u>Year(s) ended</u> <u>June 30,</u>	<u>Total Note</u> <u>Requirements</u>	<u>Total Bond</u> <u>Requirements</u>	<u>Total</u> <u>Requirements</u>
1999	\$ 118,970	\$ 69,275	\$ 188,245
2000	118,888	69,275	188,163
2001	118,888	69,275	188,163
2002	118,870	69,275	188,145
2003	<u>-</u>	<u>69,275</u>	<u>69,275</u>
Total debt service over the next 5 years	<u>475,616</u>	<u>346,375</u>	<u>821,991</u>
2004-2008	-	255,515	255,515
2009-2013	-	162,880	162,880
2014-2018	-	162,880	162,880
2019-2023	<u>-</u>	<u>75,155</u>	<u>75,155</u>
Total debt service beyond the next 5 years	<u>-</u>	<u>656,430</u>	<u>656,430</u>
Total debt service requirements	<u>\$ 475,616</u>	<u>\$ 1,002,805</u>	<u>\$ 1,478,421</u>

**BURTON FIRE DISTRICT****Notes to Financial Statements  
June 30, 1998****Note 6 - Debt Service Fund**

During the year ended June 30, 1998, Beaufort County collected money to be used by the Fire District to pay its debt service on the outstanding USDA Farmer's 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.

Each of Burton Fire District's cash balances are below \$100,000 per institution and are insured by the FDIC.

**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 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 - Accounts Receivable**

Beaufort County collects property taxes on behalf of Burton Fire District. The property taxes are transferred to the general fund based on budgeted revenues. Additional receipts are maintained by the County on behalf of the Fire District. 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.

During the year, Beaufort County accrued a receivable for delinquent taxes to be collected on behalf of the Fire District to pay its debt service on the General Obligation Bonds of 1987. These funds are received within 60 days after June 30 and escrowed by the County and the revenues are reported in the General and Debt Service funds.



**BURTON FIRE DISTRICT****Notes to Financial Statements  
June 30, 1998****Note 9 - Fund Balances**

The General Fund has budgeted expenditures in excess of actual revenues. The Chief recognized this and held expenses under actual revenues and well below budget.

**Note 10 - Claims and Judgments**

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.

**Note 11 - Impact Fund**

Beaufort County created an Impact Fund for Burton Fire District. This fund was set up to collect revenues from taxpayers for capital projects, such as construction of fire stations or acquisition of fire trucks. In order to access this fund, a request must be made to Beaufort County by Burton Fire District. To date, no expenditures have been made out of this fund.

Since this fund was in existence in fiscal year 1997, the financial statements for fiscal year 1997 have been restated to reflect higher restricted cash of \$22,565 and higher taxes receivable of \$2,959. The prior year revenue and fund balances have also been increased by \$25,524 each due to the prior year restatement.

## Schedule 1

## BURTON FIRE DISTRICT

## Schedule of Changes in General Long-Term Debt

	General Long- Term Debt <u>July 1, 1997</u>	<u>Additions</u>	<u>Reductions</u>	General Long- Term Debt <u>June 30, 1998</u>
Bonds	\$ 606,393	\$ 0	\$ 25,715	\$ 580,678
Notes	<u>481,178</u>	<u>0</u>	<u>90,618</u>	<u>390,560</u>
	<u>\$ 1,087,571</u>	<u>\$ 0</u>	<u>\$ 116,333</u>	<u>\$ 971,238</u>

## Schedule 2

**BURTON FIRE DISTRICT**  
**Schedule of Changes in General Fixed Assets**

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 1998</u>
Land	\$ 56,693	\$ -	\$ -	\$ 56,693
Buildings	713,936	-	-	713,936
Furniture & Fixtures	27,629	775	-	28,404
Office Equipment	95,481	-	-	95,481
General Equipment	581,567	18,331	-	599,898
Motor Vehicles	<u>1,159,594</u>	<u>-</u>	<u>-</u>	<u>1,159,594</u>
Total	<u>\$2,634,900</u>	<u>\$ 19,106</u>	<u>\$ -</u>	<u>\$2,654,006</u>

**SCHEDULE 3  
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.

**Insurance Coverage**

		<u>Amount of Coverage</u>
J01309936	<b>Position Fidelity Bond Coverage</b>	
	Chairman	\$ 100,000
	Treasurer	100,000
22VP631142	<b>Volunteer Firefighters Blanket Accident Policy</b>	
	<b>Class 1: Benefits</b>	
	Accidental Death and Dismemberment Person	20,000
	Accidental Total Disability Benefit Maximum Benefit	20,000
	Accidental Total Disability Benefit Weekly Benefit Maximum Payment Period up to age 65	200
	Heart or Circulatory Malfunction Benefit	
	Death Benefit: Principal Sum	5,000
	Medical Expense Benefit Maximum	5,000
	Accelerated Living Benefit	
	Principal Sum	10,000
	Maximum Benefit Amount	10,000
	Seat Belt Benefit Amount	20,000
	<b>Class 2: Benefits</b>	
	Accidental Death and Dismemberment Catastrophic Loss Benefit: Principal Sum	10,000
	Accident Medical Expense Benefit Maximum Benefit Amount	10,000

**SCHEDULE 3  
SUPPLEMENTAL LETTER (continued)**

		<u>Amount of Coverage</u>
D1942134A	<b>Liability and Property</b>	
	Liability per occurrence (\$2,000,000 in aggregate)	\$1,000,000
	Medical Coverage per person	5,000
	<b>Real Property Coverage</b>	
	Building #1	
	Real Property	85,407
	Personal Property	8,100
	<b>Real Property Coverage</b>	
	Building #2	
	Real Property	38,358
	Personal Property	8,100
	<b>Real Property Coverage</b>	
	Building #3	
	Real Property	155,006
	Personal Property	14,511
	<b>Real Property Coverage</b>	
	Building #4	
	Real Property	598,449
	Personal Property	53,094
	<b>Real Property Coverage</b>	
	Building #5	
	Contents	2,362
	<b>Real Property Coverage</b>	
	Building #6	
	Real Property	24,368
	Contents	2,163
	<b>Personal Property Off Premises</b>	
	Coverage Limit (special deduction of \$250)	10,000
	<b>Money and Securities</b>	
	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

**SCHEDULE 3  
SUPPLEMENTAL LETTER (continued)**

		<b>Amount of <u>Coverage</u></b>
<b>HO2793969</b>	<b>Auto Liability and Collision</b>	
	Liability per occurrence	\$1,000,000
	Comprehensive (deductible)	500
	Collision (deductible)	500
	Uninsured/Underinsured Motorist	1,000,000
	Personal injury protection	1,000
<b>XOOG- 13162499</b>	<b>Umbrella Liability</b>	
	Liability per incident	1,000,000
	Collision (deductible)	100
	Comprehensive (deductible)	50
<b>VARG- 15445312</b>	<b>Errors and Omissions</b>	
	Liability per claim	1,000,000

**Chris Morris & Associates, PC**Certified Public Accountants

4229 First Avenue, Suite D  
Tucker, GA 30084  
(770) 493-7578

P.O. Box 2544  
Lilburn, GA 30226-2544  
FAX (770) 491-7290

**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, 1998, and have issued our report thereon dated October 31, 1998.

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.

In planning and performing our audit of the general purpose financial statements of Burton Fire District, South Carolina, for the year ended June 30, 1998, 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

**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)**

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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

**COMPUTER RELATED RECOMMENDATIONS:**

**Expand Accounting System to Include Fund Accounting**

Because ACCPAC Plus is really designed to handle industry accounting (as are almost all PC based systems) additional modules or systems should be acquired if management wishes to produce more reliable government based financial statements.

With additional training and accounting modules, it may be possible to more accurately control expenditures against budget and to reduce the chance of budget overruns. To do this well, a fund accounting module should be purchased.

However, no matter what is done, it will be impossible to control the revenue end of the budget and difficult to handle the debt service fund without close contact with the county controller, and without further governmental accounting training.

**Data Back Up and Recovery**

Data is being backed up regularly and stored on sight on floppy disks. The old 3 1/2" 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. Thus, we recommend you consider installing a tape backup system.



**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)**

**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.

**Y2K**

Many computers and software are not year 2000 compliant. Since your accounting and other functions are possibly subject to Y2K problems, we recommend you have both your computers and software tested, and upgrades made before year 2000. It is important that you not wait too long, because if you enter anything, even a purchase order with that date, you may run into system problems.

**Debt Reserve for Farmer's Home Administration**

The debt service fund had a reserve of \$85,058 with cash on hand of \$80,799 on the last day of the fiscal year ended June 30, 1998.

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.

A material weakness is a reportable 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 or 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

**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)**

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.

*Chambers*

Tucker, GA  
October 31, 1998