

BURTON FIRE DISTRICT

Financial Statements
and
Supplementary Financial Information
for the Year Ended
June 30, 1999

BURTON FIRE DISTRICT

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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, 1999. 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, 1999, 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, PC

July 29, 1999

BURTON FIRE DISTRICT
Combined Balance Sheets
All Fund Types & Account Groups
June 30, 1999

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Capital Projects	General Fixed Assets	General Long- Term Debt	June 30, 1999	June 30, 1998
Assets:							
Cash and investments	\$82,322	--	--	--	--	\$82,322	\$70,054
Prepaid expense	14,569	--	--	--	--	14,569	3,720
Restricted -							
Cash (Beaufort County)	111,884	135,674	39,449	--	--	287,007	121,807
Tax receivable	20,309	3,117	--	--	--	23,426	40,122
Land	--	--	--	56,693	--	56,693	56,693
Buildings	--	--	--	713,936	--	713,936	713,936
Furniture & fixtures	--	--	--	34,341	--	34,341	28,403
Office equipment	--	--	--	97,105	--	97,105	95,482
General equipment	--	--	--	621,328	--	621,328	599,898
Motor vehicles	--	--	--	1,403,325	--	1,403,325	1,159,594
Amount to be provided for retirement of general long-term debt	--	--	--	--	1,083,129	1,083,129	1,049,360
Total assets	\$229,084	\$138,791	\$39,449	\$2,926,728	\$1,083,129	\$4,417,181	\$3,939,069
Liabilities and Fund Equity:							
Compensated absences payable	--	--	--	--	67,549	67,549	78,122
Retirement payable	12,038	--	--	--	--	12,038	10,889
Payroll liability	15,197	--	--	--	--	15,197	31,767
Bonds payable	--	--	--	--	551,756	551,756	580,678
Notes payable	--	--	--	--	463,824	463,824	390,560
Total liabilities	27,235	--	--	--	1,083,129	1,110,364	1,092,016
Fund Equity:							
Investment in general fixed assets	--	--	--	2,926,728	--	2,926,728	2,654,006
Fund balance:							
Reserved for debt service	--	138,791	--	--	--	138,791	85,058
Reserved for capital projects	--	--	39,449	--	--	39,449	52,241
Unreserved	201,849	--	--	--	--	201,849	55,748
Total fund equity	201,849	138,791	39,449	2,926,728	--	3,306,817	2,847,053
Total liabilities and fund equity	\$229,084	\$138,791	\$39,449	\$2,926,728	\$1,083,129	\$4,417,181	\$3,939,069

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

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Capital Projects	June 30, 1999	June 30, 1998
Revenues:					
Taxes - Beaufort County Treasurer	\$1,581,719	\$237,921	\$17,155	\$1,836,795	\$1,600,103
Interest	2,981	3,860	2,053	8,894	11,827
Other revenues	30	116	--	146	785
Total revenues	<u>1,584,730</u>	<u>241,897</u>	<u>19,208</u>	<u>1,845,835</u>	<u>1,612,715</u>
Expenditures:					
Current -					
Salaries	915,550	--	--	915,550	886,948
Employee insurance	144,617	--	--	144,617	132,628
Retirement	92,402	--	--	92,402	86,445
Payroll taxes	12,897	--	--	12,897	14,344
Repairs and maintenance	73,868	--	--	73,868	74,838
Liability insurance	25,398	--	--	25,398	38,092
Utilities	18,414	--	--	18,414	18,865
Fuel and oil	10,854	--	--	10,854	11,583
Tuition, travel, meals and lodging	17,193	--	--	17,193	13,796
Uniforms	14,927	--	--	14,927	13,697
Consulting and contract labor	4,779	--	--	4,779	4,961
On duty expense	325	--	--	325	2,105
Accounting and legal	5,016	--	--	5,016	5,073
Telephone	4,398	--	--	4,398	6,725
Firefighting supplies	5,920	--	--	5,920	8,427
First responder	1,124	--	--	1,124	1,806
Office supplies and photos	2,750	--	--	2,750	3,780

Dues and subscriptions	2,943	--	--	2,943	2,302
Other general and administrative	12,502	--	--	12,502	12,491
Capital outlay -					
Current expenditures	272,722	--	--	272,722	19,105
Debt service -					
Principal retirement	--	123,628	--	123,628	160,018
Interest and fiscal charges	--	64,536	--	64,536	32,092
Total expenditures	<u>1,638,599</u>	<u>188,164</u>	<u>--</u>	<u>1,826,763</u>	<u>1,550,121</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(53,869)</u>	<u>53,733</u>	<u>19,208</u>	<u>19,072</u>	<u>62,594</u>
OTHER FINANCING SOURCES:					
Proceeds from notes	167,970	--	--	167,970	--
Operating transfer in (out)	32,000	--	(32,000)	--	--
Total Other Financing Sources	<u>199,970</u>	<u>--</u>	<u>(32,000)</u>	<u>167,970</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>146,101</u>	<u>53,733</u>	<u>(12,792)</u>	<u>187,042</u>	<u>62,594</u>
FUND BALANCES, July 1	<u>55,748</u>	<u>85,058</u>	<u>52,241</u>	<u>193,047</u>	<u>130,453</u>
FUND BALANCES, June 30	<u>\$201,849</u>	<u>\$138,791</u>	<u>\$39,449</u>	<u>\$380,089</u>	<u>\$193,047</u>

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, 1999

	General Fund			Debt Service Fund		
	Actual	Budget	Variance- Favorable (Unfavorable)	Actual	Budget	Variance- Favorable (Unfavorable)
Revenues:						
Taxes - Beaufort County Treasurer	\$1,581,719	\$1,752,367 *	(\$170,648)	\$237,921	\$188,164	\$49,757
Interest	2,981	-	2,981	3,860	-	3,860
Other Revenues	30	-	30	116	-	116
Total revenues	1,584,730	1,752,367	(167,637)	241,897	188,164	53,733
Expenditures:						
Current -						
Salaries	915,550	970,710	55,160	-	-	-
Employee insurance	144,617	165,553	20,936	-	-	-
Retirement	92,402	96,580	4,178	-	-	-
Payroll taxes	12,897	17,113	4,216	-	-	-
Repairs and maintenance	73,868	70,500	(3,368)	-	-	-
Liability insurance	25,398	41,827	16,429	-	-	-
Utilities	18,414	21,362	2,948	-	-	-
Fuel and oil	10,854	13,000	2,146	-	-	-
Tuition, travel, meals and lodging	17,193	15,800	(1,393)	-	-	-
Uniforms	14,927	14,500	(427)	-	-	-
Consulting and contract labor	4,779	4,500	(279)	-	-	-
On duty expense	325	2,500	2,175	-	-	-
Accounting and legal	5,016	5,800	784	-	-	-
Telephone	4,398	6,000	1,602	-	-	-

Firefighting supplies	5,920	5,200	(720)	--	--	--
First responder	1,124	1,500	376	--	--	--
Office supplies and photos	2,750	3,300	550	--	--	--
Dues and subscriptions	2,943	2,200	(743)	--	--	--
Other general and administrative	12,502	21,700	9,198	--	--	--
Capital outlay-						
Current expenditures	272,722	272,722	--	--	--	--
Debt service-	--	--	--			
Principal retirement	--	--	--	123,628	165,681	42,053
Total expenditures	<u>1,638,599</u>	<u>1,752,367</u>	<u>113,768</u>	<u>188,164</u>	<u>188,164</u>	<u>--</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(53,869)</u>	<u>--</u>	<u>(53,869)</u>	<u>53,733</u>	<u>--</u>	<u>53,733</u>
OTHER FINANCING SOURCES:						
Proceeds from note	167,970	--	167,970	--	--	--
Operating transfer in	32,000	--	32,000	--	--	--
Total Other Financing Sources	<u>199,970</u>	<u>--</u>	<u>199,970</u>	<u>--</u>	<u>--</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>146,101</u>	<u>--</u>	<u>146,101</u>	<u>53,733</u>	<u>--</u>	<u>53,733</u>
FUND BALANCES, July 1	<u>55,748</u>	<u>--</u>	<u>55,748</u>	<u>85,058</u>	<u>--</u>	<u>85,058</u>
FUND BALANCES, June 30	<u>\$201,849</u>	<u>--</u>	<u>\$201,849</u>	<u>\$138,791</u>	<u>--</u>	<u>\$138,791</u>

* The County approved capital expenditures of \$272,722.
The accompanying notes are an integral part of these financial statements.

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 1999

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

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 1999

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

assessments. This fund includes the impact fund, which is a special assessment made by Beaufort County for special capital requirements.

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.

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 1999

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

BURTON FIRE DISTRICTNotes to Financial Statements
June 30, 1999**Note 1 - Summary of Significant Accounting Policies
(continued)**

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.
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

BURTON FIRE DISTRICTNotes to Financial Statements
June 30, 1999**Note 1 - Summary of Significant Accounting Policies
(continued)**

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.

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 1999 was \$915,550 while contributions were based on a payroll of \$894,392. Burton Fire District was required to contribute \$92,122, while the employees contributed \$58,135 for fiscal year 1999. Actual paid during the 1999 fiscal year equaled \$150,257.

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.

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 1999

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, 1999, was \$35,722,732. The computation of legal debt limits is as follows:

General obligation debt limit (\$35,722,732 x 8%)	\$2,857,819
General obligation debt at June 30, 1999	<u>1,083,829</u>
Excess of debt limit over general obligation debt	<u>\$1,773,990</u>

Note 5 - General Long-Term Debt

Notes:

Palmetto State Bank, \$167,970 note borrowed on June 8, 1999, due June 8, 2004, at 4.35%. Interest is payable in five equal annual installments of \$38,172, and is secured by a KME Custom pumper purchased with the note. \$167,970

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. 175,589

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 KME 1500 GPM pumper. 120,265

\$463,824

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 1999

Note 5 - General Long-Term Debt (continued)

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. \$193,849

\$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. 357,907

\$551,756

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.

The total annual requirements to pay all debt outstanding as of June 30, 1999, 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>
2000	\$ 118,885	\$ 69,275	\$ 188,160
2001	157,057	69,275	226,332
2002	157,057	69,275	226,332
2003	157,057	69,275	226,332
2004	<u>38,175</u>	<u>69,275</u>	<u>107,450</u>
Total debt service over the next 5 years	<u>628,231</u>	<u>346,375</u>	<u>974,606</u>
2005-2009	-	220,667	220,667
2010-2014	-	162,880	162,880
2015-2019	-	162,880	162,880
2020-2024	<u>-</u>	<u>60,499</u>	<u>60,499</u>
Total debt service beyond the next 5 years	<u>-</u>	<u>606,926</u>	<u>606,926</u>
Total debt service requirements	<u>\$ 628,231</u>	<u>\$ 953,301</u>	<u>\$ 1,581,532</u>

BURTON FIRE DISTRICTNotes to Financial Statements
June 30, 1999**Note 6 - Cash**

During the year ended June 30, 1999, 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, 1999****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 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.

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.

Schedule 1

BURTON FIRE DISTRICT

Schedule of Changes in General Long-Term Debt

	General Long- Term Debt <u>July 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	General Long- Term Debt <u>June 30, 1999</u>
Notes & Bonds	<u>\$ 971,238</u>	<u>\$ 167,970</u>	<u>\$ 123,628</u>	<u>\$ 1,015,580</u>

Schedule 2

BURTON FIRE DISTRICT

Schedule of Changes in General Fixed Assets

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 1999</u>
Land	\$ 56,693	\$ -	\$ -	\$ 56,693
Buildings	713,936	-	-	713,936
Furniture & Fixtures	28,403	5,938	-	34,341
Office Equipment	95,482	1,623	-	97,105
General Equipment	599,898	21,430	-	621,328
Motor Vehicles	<u>1,159,594</u>	<u>243,731</u>	<u>-</u>	<u>1,403,325</u>
Total	<u>\$2,654,006</u>	<u>\$272,722</u>	<u>\$ -</u>	<u>\$2,926,728</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	AMOUNT OF COVERAGE
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Crime Coverage	
Chairman	\$ 100,000
Treasurer	100,000
HEART FUND INSURANCE COMPANY	
Accident Policy	
Accidental Death and Dismemberment Benefit per 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
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Commercial General Liability	
Liability per occurrence (\$2,000,000 in aggregate)	1,000,000
Medical Coverage per person	5,000
Real Property Coverage	
Building #1-Real Property	93,507
Building #1-Personal Property	8,100
Building #2-Real Property	46,458
Building #2-Personal Property	8,100
Building #3-Real Property	169,517
Building #3-Personal Property	14,511
Building #4-Real Property	500,000
Building #4-Personal Property	53,094
Building #5-Contents	2,362
Building #6-Real Property	26,531
Building #6-Contents	2,163

**SCHEDULE 3
SUPPLEMENTAL LETTER (continued)**

INSURANCE COVERAGE	AMOUNT OF COVERAGE
Personal Property Off Premises Coverage Limit (Special deduction of \$1,000)	Guaranteed Replacement Cost
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Commercial Automobile Coverage	
Combined Single Limit	\$1,000,000
Uninsured Motorist	1,000,000
Under Insured Motorist	1,000,000
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Commercial Umbrella Policy	
Liability per incident	1,000,000
General Aggregate	2,000,000
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Management Liability	
Wrongful Act	1,000,000
Aggregate Limit	2,000,000

Chris Morris & Associates, PCCertified 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, 1999, and have issued our report thereon dated July 29, 1999.

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, 1999, we obtained an understanding of the

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR
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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.

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.

At the writing of this report, the Fire Chief has purchased ACCPAC Plus for Windows, which should allow better reporting and financial analysis.

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

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has been damaged or destroyed by lightning. Thus, we recommend you consider installing a tape backup system.

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.

Debt Reserve for Farmer's Home Administration


The debt service fund has a reserve of \$138,791 with cash on hand of \$135,674 on the last day of the fiscal year ended June 30, 1999.

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.

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.



Tucker, GA
July 29, 1999