

BURTON FIRE DISTRICT
Financial Statements
and
Supplementary Financial Information
for the Year Ended
June 30, 2000

BURTON FIRE DISTRICT

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Report of Independent Certified Public Accountants

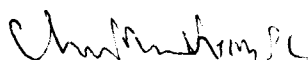
The Honorable Board of Commissioners
Burton Fire District
Burton, South Carolina

We have audited the accompanying general purpose financial statements of the Burton Fire District as of and for the year ended June 30, 2000. 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, 2000, 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.



Tucker, Georgia
August 1, 2000

BURTON FIRE DISTRICT
Combined Balance Sheets
All Fund Types & Account Groups
June 30, 2000

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Impact Fund	General Fixed Assets	General Long- Term Debt	June 30, 2000	June 30, 1999
Assets:							
Cash and investments	\$101,411	--	--	--	--	\$101,411	\$82,322
Prepaid expense	25,416	--	--	--	--	25,416	14,569
Restricted -							
Cash (Beaufort County)	196,341	50,098	178,878	--	--	425,317	287,007
Tax receivable	91,163	23,571	3,882	--	--	118,616	23,426
Land	--	--	--	56,693	--	56,693	56,693
Buildings	--	--	--	713,936	--	713,936	713,936
Furniture & fixtures	--	--	--	35,200	--	35,200	34,341
Office equipment	--	--	--	108,863	--	108,863	97,105
General equipment	--	--	--	664,000	--	664,000	621,328
Motor vehicles	--	--	--	1,405,515	--	1,405,515	1,403,325
Amount to be provided for retirement of general long-term debt	--	--	--	--	821,452	821,452	1,083,129
Total assets	\$414,331	\$73,669	\$182,760	\$2,984,207	\$821,452	\$4,476,419	\$4,417,181
Liabilities and Fund Equity:							
Claims liability	25,000	--	--	--	--	25,000	--
Compensated absences payable	--	--	--	--	81,040	81,040	67,549
Retirement payable	19,240	--	--	--	--	19,240	12,038
Payroll liability	14,104	--	--	--	--	14,104	15,197
Bonds payable	--	--	--	--	521,528	521,528	551,756
Notes payable	--	--	--	--	218,884	218,884	463,824
Total liabilities	58,344	--	--	--	821,452	879,796	1,110,364
Fund Equity:							
Investment in general fixed assets	--	--	--	2,984,207	--	2,984,207	2,926,728
Fund balance:							
Reserved for debt service	--	73,669	--	--	--	73,669	138,791
Reserved for impact fund	--	--	182,760	--	--	182,760	39,449
Unreserved	355,987	--	--	--	--	355,987	201,849
Total fund equity	355,987	73,669	182,760	2,984,207	--	3,596,623	3,306,817
Total liabilities and fund equity	\$414,331	\$73,669	\$182,760	\$2,984,207	\$821,452	\$4,476,419	\$4,417,181

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, 2000

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Impact Fund	June 30, 2000	June 30, 1999
Revenues:					
Taxes - Beaufort County Treasurer	\$1,802,034	\$268,840	\$140,112	\$2,210,986	\$1,836,795
Interest	4,496	6,196	3,199	13,891	8,894
Other Governments	44,000	--	--	--	--
Other revenues	30,627	--	--	30,627	146
Total revenues	1,881,157	275,036	143,311	2,255,504	1,845,835
Expenditures:					
Current -					
Salaries	1,105,240	--	--	1,105,240	915,550
Employee insurance	165,030	--	--	165,030	144,617
Retirement	111,565	--	--	111,565	92,402
Payroll taxes	17,742	--	--	17,742	12,897
Repairs and maintenance	92,721	--	--	92,721	73,868
Liability insurance	27,439	--	--	27,439	25,398
Claims expense	25,000	--	--	25,000	--
Utilities	19,575	--	--	19,575	18,414
Fuel and oil	13,658	--	--	13,658	10,854
Tuition, travel, meals and lodging	19,498	--	--	19,498	17,193
Uniforms	14,594	--	--	14,594	14,927
Consulting and contract labor	5,901	--	--	5,901	4,779
On duty expense	1,123	--	--	1,123	325
Accounting and legal	14,521	--	--	14,521	5,016
Telephone	6,407	--	--	6,407	4,398
Firefighting supplies	5,442	--	--	5,442	5,920
First responder	--	--	--	--	1,124
Office supplies and photos	3,616	--	--	3,616	2,750

Dues and subscriptions	2,678	--	--	2,678	2,943
Other general and administrative	17,790	--	--	17,790	12,502
Capital outlay -					
Current expenditures	57,479	--	--	57,479	272,722
Debt service -					
Principal retirement	--	273,646	--	273,646	123,628
Interest and fiscal charges	--	66,512	--	66,512	64,536
Total expenditures	<u>1,727,019</u>	<u>340,158</u>	<u>--</u>	<u>2,067,177</u>	<u>1,826,763</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>154,138</u>	<u>(65,122)</u>	<u>143,311</u>	<u>188,327</u>	<u>19,072</u>
OTHER FINANCING SOURCES:					
Proceeds from notes	--	--	--	--	167,970
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>167,970</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>154,138</u>	<u>(65,122)</u>	<u>143,311</u>	<u>188,327</u>	<u>187,042</u>
FUND BALANCES, July 1	<u>201,849</u>	<u>138,791</u>	<u>39,449</u>	<u>380,089</u>	<u>193,047</u>
FUND BALANCES, June 30	<u><u>\$355,987</u></u>	<u><u>\$73,669</u></u>	<u><u>\$182,760</u></u>	<u><u>\$568,416</u></u>	<u><u>\$380,089</u></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, 2000

	General Fund			Debt Service Fund		
	Actual	Budget	Variance- Favorable (Unfavorable)	Actual	Budget	Variance- Favorable (Unfavorable)
Revenues:						
Taxes - Beaufort County Treasurer	\$1,802,034	\$1,677,256 *	\$124,778	\$268,840	\$340,158	(\$71,318)
Interest	4,496	-	4,496	6,196	-	6,196
Other Revenues	74,627	-	74,627	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,881,157	1,677,256	203,901	275,036	340,158	(65,122)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:						
Current -						
Salaries	1,105,240	1,111,047	5,807	-	-	-
Employee insurance	165,030	169,916	4,886	-	-	-
Retirement	111,565	110,970	(595)	-	-	-
Payroll taxes	17,742	19,321	1,579	-	-	-
Repairs and maintenance	92,721	68,000	(24,721)	-	-	-
Claim expense	25,000	-	(25,000)	-	-	-
Liability insurance	27,439	46,052	18,613	-	-	-
Utilities	19,575	21,600	2,025	-	-	-
Fuel and oil	13,658	13,000	(658)	-	-	-
Tuition, travel, meals and lodging	19,498	15,800	(3,698)	-	-	-
Uniforms	14,594	14,500	(94)	-	-	-
Consulting and contract labor	5,901	5,500	(401)	-	-	-
On duty expense	1,123	1,000	(123)	-	-	-
Accounting and legal	14,521	5,900	(8,621)	-	-	-

Telephone	6,407	6,000	(407)	--	--	--
Firefighting supplies	5,442	5,200	(242)	--	--	--
First responder	--	1,500	1,500	--	--	--
Office supplies and photos	3,616	3,000	(616)	--	--	--
Dues and subscriptions	2,678	2,200	(478)	--	--	--
Other general and administrative	17,790	21,750	3,960	--	--	--
Capital outlay-						
Current expenditures	57,479	35,000	(22,479)	--	--	--
Debt service-	--					
Principal retirement	--	--	--	273,646	273,646	--
Interest and fiscal charges	--	--	--	66,512	66,512	--
Total expenditures	1,727,019	1,677,256	(49,763)	340,158	340,158	--
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	154,138	--	154,138	(65,122)	--	(65,122)
FUND BALANCES, July 1	201,849	--	201,849	138,791	--	138,791
FUND BALANCES, June 30	\$355,987	--	\$355,987	\$73,669	--	\$73,669

* \$35,000 in capital expenditures were approved in fiscal year 2000.

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

BURTON FIRE DISTRICT**Notes to Financial Statements
June 30, 2000****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, Debt Service Fund, and Capital Projects Fund are used to record the 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 or capital projects.

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, 2000****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, 2000****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 DISTRICT

Notes to Financial Statements
June 30, 2000

**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 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 DISTRICT**Notes to Financial Statements
June 30, 2000****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 contribution 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 2000 was \$1,098,575 while contributions were based on a payroll of \$1,083,157. Burton Fire District was required to contribute \$111,565, while the employees contributed \$70,405 for fiscal year 2000.

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.

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

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, 2000, was \$31,716,821. The computation of legal debt limits is as follows:

General obligation debt limit (Assessed value \$31,716,821 x 8%)	\$2,537,346
General obligation debt at June 30, 2000	<u>740,412</u>
Excess of debt limit over general obligation debt	<u>\$1,796,934</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.	\$137,186
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.	<u>81,698</u>
	<u>\$218,884</u>

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

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. \$170,886

\$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. 350,642

\$521,528

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 for a promise to levy taxes for payment of the debt.

The total annual requirements to pay all debt outstanding as of June 30, 2000, 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>
2001	\$ 82,060	\$ 69,275	\$ 151,335
2002	82,060	69,275	151,335
2003	38,172	69,275	107,447
2004	38,172	69,275	107,447
2005	-	69,275	69,275
<hr/>			
Total debt service over the next 5 years	<u>240,464</u>	<u>346,375</u>	<u>586,839</u>
2006-2010	-	184,796	184,796
2011-2015	-	162,880	162,880
2016-2020	-	60,499	60,499
2021-2025	-	10,386	10,386
<hr/>			
Total debt service beyond the next 5 years	<u>-</u>	<u>418,561</u>	<u>418,561</u>
<hr/>			
Total debt service requirements	<u>\$ 240,464</u>	<u>\$ 764,936</u>	<u>\$ 1,005,400</u>

BURTON FIRE DISTRICTNotes to Financial Statements
June 30, 2000**Note 6 - Cash**

During the year ended June 30, 2000, Beaufort County collected money to be used by the Fire District to pay its debt service on the General Obligation Bonds and the notes payable 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. However, upon retirement they are entitled to their sick leave and accrued vacation plus one-fifth of the unused portion.

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, 2000

Note 9 - Expenditures Over Budget

The General Fund has budgeted expenditures in excess of actual revenues.

Note 10 - Risk Management

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.

The Fire District has a location where fuel tanks have polluted surrounding ground. The clean up may be material, but is covered except for the first \$25,000. Since it is apparent the \$25,000 will have to be paid, this has been accrued as an expense in fiscal year 2000.

Note 11 - Impact Fund

Beaufort County created in 1999 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, 1999</u>	<u>Additions</u>	<u>Reductions</u>	General Long- Term Debt <u>June 30, 2000</u>
Notes & Bonds	<u>\$ 1,015,580</u>	<u>\$ 0</u>	<u>\$ 275,168</u>	<u>\$ 740,412</u>

Schedule 2

BURTON FIRE DISTRICT

Schedule of Changes in General Fixed Assets

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2000</u>
Land	\$ 56,693	\$ -	\$ -	\$ 56,693
Buildings	713,936	-	-	713,936
Furniture & Fixtures	34,341	859	-	35,200
Office Equipment	97,105	11,758	-	108,863
General Equipment	621,328	42,672	-	664,000
Motor Vehicles	<u>1,403,325</u>	<u>2,190</u>	<u>-</u>	<u>1,405,515</u>
Total	<u>\$2,926,728</u>	<u>\$ 57,479</u>	<u>\$ -</u>	<u>\$2,984,207</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
NATIONAL UNION FIRE 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	101,137
Building #1-Personal Property	8,761
Building #2-Real Property	50,249
Building #2-Personal Property	8,761
Building #3-Real Property	183,349
Building #3-Personal Property	15,695
Building #4-Real Property	500,000
Building #4-Personal Property	57,427
Building #5-Contents	2,554
Building #6-Real Property	28,697
Building #6-Contents	2,340

**SCHEDULE 3
SUPPLEMENTAL LETTER (continued)**

INSURANCE COVERAGE	AMOUNT OF COVERAGE
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Portable Equipment Coverage	
Coverage Limit (Deductible \$250)	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
AMERICAN PROTECTION INSURANCE COMPANY	
Employer's Liability	
Each Accident	100,000
Disease Policy Unit	500,000
Disease Each Employee	100,000

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

The Honorable Board of Commissioners
Burton Fire District
Burton, 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, 2000, and have issued our report thereon dated August 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Burton Fire District, South Carolina's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described below:

The General Fund has actual expenditures in excess of budgeted expenditures. This is a technical violation of Beaufort County's advance. However, they still have a positive cumulative fund balance, and have complied with the cumulative allowed advance from the County.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burton Fire District, South Carolina's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)

over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Burton Fire District, South Carolina's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are:

COMPUTER RELATED RECOMMENDATION:

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 or destroyed by lightning. Thus, we recommend you consider installing a tape backup system and store the data offsite.

OTHER:

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

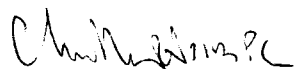
The debt service fund has a reserve of \$33,669 with cash on hand of \$50,098 on the last day of the fiscal year ended June 30, 2000.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)**

conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, County Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Tucker, Georgia
August 1, 2000