

BURTON FIRE DISTRICT

Financial Statements
and
Supplementary Financial Information
for the Year Ended
June 30, 2002

BURTON FIRE DISTRICT

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Chris Morris & Associates, PC

Certified Public Accountants

2181 Northlake Parkway, Suite 122
Tucker, GA 30084
(770) 493-7578

P.O. Box 2544
Lilburn, GA 30084-2544
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, component unit of Beaufort County, as of and for the year ended June 30, 2002, as listed in the table of contents. 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 auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *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. 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Burton Fire District as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2002, on our consideration of Burton Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 Schedule 1 in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Burton Fire District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Atlanta, Georgia
August 1, 2002

BURTON FIRE DISTRICT
Combined Balance Sheets
All Fund Types & Account Groups
June 30, 2002

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Impact Fund	General Fixed Assets	General Long-Term Debt	June 30, 2002	June 30, 2001
Assets:							
Cash and investments	\$81,149	--	--	--	--	\$81,149	\$83,750
Accounts receivable	12,917	--	--	--	--	12,917	--
Prepaid expense	10,971	--	--	--	--	10,971	27,232
Restricted -							
Cash (Beaufort County)	310,021	212,104	175,576	--	--	697,701	700,234
Tax receivable	23,923	2,919	8,813	--	--	35,655	45,775
Land	--	--	--	56,693	--	56,693	56,693
Buildings	--	--	--	793,822	--	793,822	749,471
Furniture & fixtures	--	--	--	46,350	--	46,350	35,200
Office equipment	--	--	--	127,544	--	127,544	112,318
General equipment	--	--	--	803,938	--	803,938	749,833
Motor vehicles	--	--	--	1,870,641	--	1,870,641	1,865,621
Amount to be provided for retirement of general long-term debt	--	--	--	--	1,629,462	1,629,462	696,354
Total assets	\$438,981	\$215,023	\$184,389	\$3,698,988	\$1,629,462	\$6,166,843	\$5,122,481
Liabilities and Fund Equity:							
Claims liability	--	--	--	--	--	--	25,000
Accounts payable	40,712	--	--	--	--	40,712	5,006
Compensated absences payable	--	--	--	--	123,909	123,909	100,396
Retirement payable	--	--	--	--	--	--	15,700
Payroll liability	11,605	--	--	--	--	11,605	8,881
Bonds payable	--	--	--	--	456,606	456,606	490,993
Notes payable	--	--	--	--	1,048,947	1,048,947	104,965
Total liabilities	52,317	--	--	--	1,629,462	1,681,779	750,941
Fund Equity:							
Investment in general fixed assets	--	--	--	3,698,988	--	3,698,988	3,569,136
Fund balance:							
Reserved for debt service	--	215,023	--	--	--	215,023	125,097
Reserved for impact fund	--	--	184,389	--	--	184,389	201,558
Unreserved	386,664	--	--	--	--	386,664	475,749
Total fund equity	386,664	215,023	184,389	3,698,988	--	4,485,064	4,371,540
Total liabilities and fund equity	\$438,981	\$215,023	\$184,389	\$3,698,988	\$1,629,462	\$6,166,843	\$5,122,481

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, 2002

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Impact Fund	June 30, 2002	June 30, 2001
Revenues:					
Taxes - Beaufort County Treasurer	\$2,021,386	\$245,429	\$67,782	\$2,334,597	\$2,625,158
Interest	4,422	2,860	2,049	9,331	18,012
Other Governments	--	--	--	--	15,000
Other revenues	1,000	--	--	1,000	1,198
Total revenues	2,026,808	248,289	69,831	2,344,928	2,659,368
Expenditures:					
Current -					
Salaries	1,324,097	--	--	1,324,097	1,062,626
Employee insurance	288,982	--	--	288,982	213,755
Retirement	135,870	--	--	135,870	133,212
Payroll taxes	21,787	--	--	21,787	17,085
Repairs and maintenance	106,915	--	--	106,915	72,713
Liability insurance	54,899	--	--	54,899	60,270
Utilities	21,546	--	--	21,546	22,486
Fuel and oil	16,245	--	--	16,245	16,593
Tuition, travel, meals and lodging	23,569	--	--	23,569	20,447
Uniforms	17,962	--	--	17,962	13,036
Consulting and contract labor	8,371	--	--	8,371	4,402
On duty expense	300	--	--	300	300
Accounting and legal	6,556	--	--	6,556	9,407
Telephone	15,409	--	--	15,409	7,181
Firefighting supplies	10,257	--	--	10,257	10,332
First responder	1,713	--	--	1,713	1,327
Office supplies and photos	179	--	--	179	6,656
Dues and subscriptions	2,538	--	--	2,538	3,300
Other general and administrative	15,845	--	--	15,845	15,988

Capital outlay -					
Current expenditures	129,853	--	--	129,853	584,929
Debt service -					
Principal retirement	--	105,405	--	105,405	144,454
Interest and fiscal charges	--	52,958	--	52,958	48,881
Total expenditures	<u>2,202,893</u>	<u>158,363</u>	<u>--</u>	<u>2,361,256</u>	<u>2,469,380</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(176,085)</u>	<u>89,926</u>	<u>69,831</u>	<u>(16,328)</u>	<u>189,988</u>
OTHER FINANCING SOURCES:					
Operating transfer in (out)	<u>87,000</u>	<u>--</u>	<u>(87,000)</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources	<u>87,000</u>	<u>--</u>	<u>(87,000)</u>	<u>--</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(89,085)</u>	<u>89,926</u>	<u>(17,169)</u>	<u>(16,328)</u>	<u>189,988</u>
FUND BALANCES, July 1	<u>475,749</u>	<u>125,097</u>	<u>201,558</u>	<u>802,404</u>	<u>612,416</u>
FUND BALANCES, June 30	<u>\$386,664</u>	<u>\$215,023</u>	<u>\$184,389</u>	<u>\$786,076</u>	<u>\$802,404</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 - All Governmental Fund Types

For the Fiscal Year Ended June 30, 2002

	General Fund			Debt Service Fund			Impact Fund		
	Actual	Budget	Variance-Favorable (Unfavorable)	Actual	Budget	Variance-Favorable (Unfavorable)	Actual	Budget *	Variance-Favorable (Unfavorable)
Revenues:									
Taxes - Beaufort County Treasurer	\$2,021,386	\$2,203,850	(\$182,464)	\$245,429	\$158,475	\$86,954	\$67,782	--	\$67,782
Interest	4,422	--	4,422	2,860	--	2,860	2,049	--	2,049
Other Revenues	1,000	--	1,000	--	--	--	--	--	--
Total revenues	2,026,808	2,203,850	(177,042)	248,289	158,475	89,814	69,831	--	69,831
Expenditures:									
Current -									
Salaries	1,324,097	1,321,000	(3,097)	--	--	--	--	--	--
Employee insurance	288,982	290,000	1,018	--	--	--	--	--	--
Retirement	135,870	147,500	11,630	--	--	--	--	--	--
Payroll taxes	21,787	21,200	(587)	--	--	--	--	--	--
Repairs and maintenance	106,915	96,500	(10,415)	--	--	--	--	--	--
Liability insurance	54,899	50,000	(4,899)	--	--	--	--	--	--
Utilities	21,546	29,700	8,154	--	--	--	--	--	--
Fuel and oil	16,245	15,000	(1,245)	--	--	--	--	--	--
Tuition, travel, meals and lodging	23,569	23,000	(569)	--	--	--	--	--	--
Uniforms	17,962	17,000	(962)	--	--	--	--	--	--
Consulting and contract labor	8,371	7,500	(871)	--	--	--	--	--	--
On duty expense	300	500	200	--	--	--	--	--	--
Accounting and legal	6,556	7,500	944	--	--	--	--	--	--
Telephone	15,409	10,000	(5,409)	--	--	--	--	--	--
Firefighting supplies	10,257	13,000	2,743	--	--	--	--	--	--
First responder	1,713	1,500	(213)	--	--	--	--	--	--
Office supplies and photos	179	3,300	3,121	--	--	--	--	--	--
Dues and subscriptions	2,538	2,500	(38)	--	--	--	--	--	--
Other general and administrative	15,845	17,650	1,805	--	--	--	--	--	--
Capital outlay-									
Current expenditures	129,853	129,500	(353)	--	--	--	--	--	--
Debt service-									
Principal retirement	--	--	--	105,405	105,405	--	--	--	--
Interest and fiscal charges	--	--	--	52,958	53,070	112	--	--	--
Total expenditures	2,202,893	2,203,850	957	158,363	158,475	112			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(176,085)	--	(176,085)	89,926	--	89,926	69,831	--	69,831

OTHER FINANCING SOURCES (USES):									
Operating transfer in (out)	87,000	--	87,000	--	--	--	(87,000)	--	(87,000)
TOTAL OTHER FINANCING SOURCES	87,000	--	87,000	--	--	--	(87,000)	--	(87,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES									
	(89,085)	--	(89,085)	89,926	--	89,926	(17,169)	--	(17,169)
FUND BALANCES, July 1	475,749	--	475,749	125,097	--	125,097	201,558	--	201,558
FUND BALANCES, June 30	\$386,664	--	\$386,664	\$215,023	--	\$215,023	\$184,389	--	\$184,389

* Burton Fire District does not budget for the impact fund.

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

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

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 Impact 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.

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

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

Impact Fund - The Impact 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.

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.

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

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

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

D. Long-Term Debt

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

E. Totals (Memorandum Only) Columns

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

BURTON FIRE DISTRICTNotes to Financial Statements
June 30, 2002**Note 1 - Summary of Significant Accounting Policies
(continued)****G. Budgets and Budgetary Accounting**

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

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

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

**Note 1 - Summary of Significant Accounting Policies
(continued)****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 dependent upon Beaufort County, South Carolina, for collecting taxes 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 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

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

Note 2 - Pension Costs (continued)

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 2002 was \$1,324,097 while contributions were based on a payroll of \$1,266,254. Burton Fire District was required to contribute \$135,870, while the employees contributed \$82,306 for fiscal year 2002.

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.

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, 2002, was \$40,058,307. The computation of legal debt limits is as follows:

General obligation debt limit (Assessed value \$40,058,307 x 8%)	\$3,204,665
General obligation debt at June 30, 2002	<u>1,505,553</u>
Excess of debt limit over general obligation debt	<u>\$1,699,112</u>

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

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. \$ 71,473

Palmetto State Bank, \$300,000 note borrowed on April 4, 2001, due April 4, 2008, at 4.5%. Interest is payable in seven equal annual installments of \$50,915, and is secured by a KME Custom 75' engine. 262,474

Palmetto State Bank, \$715,000 note borrowed on October 17, 2002, due October 17, 2022, at 5.5%. Interest is payable in twenty equal annual installments of \$59,848, and is secured by the building located at 2 Market, Beaufort, SC, the Habersham Station. 715,000

\$1,048,947

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. \$120,600

\$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. 336,006

\$456,606

BURTON FIRE DISTRICT

Notes to Financial Statements
June 30, 2002

Note 5 - General Long-Term Debt (continued)

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, 2002, 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>
2003	\$ 148,936	\$ 69,275	\$ 218,211
2004	148,834	69,275	218,109
2005	110,764	69,275	180,039
2006	110,764	58,713	169,477
2007	<u>110,764</u>	<u>32,576</u>	<u>143,340</u>
Total debt service over the next 5 years	<u>630,062</u>	<u>299,114</u>	<u>929,176</u>
2008-2012	350,157	162,880	513,037
2013-2017	299,241	162,880	462,121
2018-2022	<u>299,241</u>	<u>113,022</u>	<u>412,263</u>
Total debt service beyond the next 5 years	<u>948,639</u>	<u>438,782</u>	<u>1,387,421</u>
Total debt service requirements	<u>\$ 1,578,701</u>	<u>\$ 737,896</u>	<u>\$ 2,316,597</u>

The change in general long-term debt is as follows:

	<u>General Long- Term Debt</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>General Long- Term Debt</u> <u>June 30, 2002</u>
Notes & Bonds	<u>\$595,958</u>	<u>\$1,015,000</u>	<u>(\$105,405)</u>	<u>\$1,505,553</u>

BURTON FIRE DISTRICTNotes to Financial Statements
June 30, 2002**Note 6 - Cash**

During the year ended June 30, 2002, 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 unrestricted 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 - Taxes 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, 2002

Note 9 - 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 insured except for the first \$25,000. The \$25,000 was accrued in fiscal year 2001 and paid in fiscal year 2002.

Note 10 - 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. In the current year, \$87,000 was transferred from the Impact Fund to the General Fund to retire debt.

Note 11 - Changes in General Fixed Assets

Burton Fire District's changes in General Fixed Assets are:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Land	\$ 56,693	\$ -	\$ -	\$ 56,693
Buildings	749,471	44,351	-	793,822
Furniture & Fixtures	35,200	11,150	-	46,350
Office Equipment	112,318	15,226	-	127,544
General Equipment	749,833	54,105	-	803,938
Motor Vehicles	<u>1,865,621</u>	<u>5,020</u>	<u>-</u>	<u>1,870,641</u>
Total	<u>\$3,569,136</u>	<u>\$129,852</u>	<u>\$ -</u>	<u>\$3,698,988</u>

**SCHEDULE 1
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.

<u>INSURANCE COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Crime Coverage	
Chairman	\$ 100,000
Treasurer	100,000
NATIONAL UNION FIRE INSURANCE COMPANY	
Accident Policy	
Accidental Death and Dismemberment and Accidental Medical	20,000
Weekly Benefit Amount	200
Heart or Circulatory Malfunction Benefit	5,000
AMERICAN ALTERNATIVE INSURANCE COMPANY	
General Liability Coverage	
Liability per occurrence (\$2,000,000 in aggregate)	1,000,000
Medical Expense (any one person)	5,000
Products and Completed Operations	2,000,000
Personal and Advertising Injury	1,000,000
Fire Damage Liability (any one fire)	1,000,000

**SCHEDULE 1
SUPPLEMENTAL LETTER (continued)**

<u>INSURANCE COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Property Coverage	
Building #1	Guaranteed Replacement Cost
Building #1 - Building-Flood	\$99,914
Building #1 - Building-Earthquake	99,914
Building #1 - Contents-Replacement Cost (Flood/Earthquake)	9,475
Building #2	Guaranteed Replacement Cost
Building #2 - Building-Flood	44,874
Building #2 - Building-Earthquake	44,874
Building #2 - Contents-Replacement Cost (Flood/Earthquake)	9,475
Building #3	Guaranteed Replacement Cost
Building #3 - Building-Flood	181,334
Building #3 - Building-Earthquake	181,334
Building #3 - Contents-Replacement Cost (Flood/Earthquake)	16,975
Building #4	Guaranteed Replacement Cost
Building #4 - Building-Flood	728,104
Building #4 - Building-Earthquake	728,104
Building #4 - Contents-Replacement Cost (Flood/Earthquake)	62,113
Building #5 - Building-Flood	0
Building #5 - Building-Earthquake	0
Building #5 - Contents-Replacement Cost (Flood/Earthquake)	2,762
Building #6	Guaranteed Replacement Cost
Building #6 - Building-Flood	28,507
Building #6 - Building-Earthquake	28,507
Building #6 - Contents-Replacement Cost (Flood/Earthquake)	2,531

**SCHEDULE 1
SUPPLEMENTAL LETTER (continued)**

<u>INSURANCE COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Portable Equipment Coverage	
Blanket "Portable Equipment" (Deductible \$250)	Guaranteed Replacement Cost
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Commercial Automobile Coverage	
Combined Single Limit Bodily Injury and Property Damage	\$1,000,000
Uninsured Motorist	1,000,000
Underinsured Motorist	1,000,000
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Commercial Umbrella Policy	
Each Occurrence	1,000,000
Annual Aggregate	2,000,000
Products and Completed Operations Aggregate	2,000,000
Retained Limit	10,000
AMERICAN ALTERNATIVE INSURANCE COMPANY	
Management Liability Coverage	
Each "Wrongful Act"	1,000,000
Aggregate Limit	2,000,000
Each Action for "Injunction Relief"	5,000

**SCHEDULE 1
SUPPLEMENTAL LETTER (continued)**

<u>INSURANCE COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>
THE TRAVELERS INSURANCE COMPANY	
Workers Compensation Policy	
Employer's Liability-Each Accident	\$100,000
Employer's Liability-Disease Policy Limit	500,000
Employer's Liability-Disease Each Employee	100,000
HARTFORD INSURANCE COMPANY	
FHA Bond	
FHA Bond Amount	200,000
Chairman	100,000
Treasurer	100,000

Chris Morris & Associates, PC

Certified Public Accountants

2181 Northlake Parkway, Suite 122
Tucker, GA 30084
(770) 493-7578

P.O. Box 2544
Lilburn, GA 30084-2544
FAX (770) 491-7290

**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, 2002, and have issued our report thereon dated August 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Commissioners of Burton Fire District, South Carolina, in a separate letter dated August 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burton Fire District'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 over financial reporting. Our consideration of the

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)

internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Commissioners of Burton Fire District, South Carolina, in a separate letter dated August 1, 2002.

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.



Atlanta, Georgia
August 1, 2002