

**BURTON FIRE DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**TABLE OF CONTENTS**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	9
Statement of Activities	10
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	26
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	28
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund	29
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	30

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Burton Fire District  
Burton, South Carolina

I have audited the accompanying financial statements of the governmental activities and each major fund of the Burton Fire District as of June 30, 2007, and for the year then ended, which collectively comprise Burton's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Burton Fire District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Burton Fire District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 14, 2008 on my consideration of the Burton Fire District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Lisa T. Wechsler, P.A.  
Beaufort, South Carolina  
March 14, 2008

# Burton Fire District

## Management's Discussion and Analysis

As management of Burton Fire District (Burton), we offer readers of Burton's financial statements this narrative overview and analysis of the financial activities of Burton for the fiscal year ended June 30, 2007.

### Financial Highlights

- The assets of Burton exceed its liabilities at the close of the most recent fiscal year by \$3,637,476 (net assets). Of this amount, \$659,984 (restricted net assets) represents cash held by Beaufort County for debt service payments and impact fees. Another \$1,826,426 represents the investment in capital assets less depreciation and debt on those assets. The remaining balance of \$1,151,066 represents unrestricted net assets. Burton's total net assets increased by \$297,815.
- As of the close of the current fiscal year Burton's governmental funds reported a combined ending fund balance of \$2,025,092, an increase of \$246,502.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Burton's basic financial statements. Burton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of Burton's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Burton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in the net assets may serve as a useful indicator of whether the financial position of Burton is improving or deteriorating.

The statement of activities presents information showing how Burton's net assets changed during the most recent fiscal year. Changes in net assets are reported on a full accrual basis, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of Burton that are supported by general revenues such as taxes and fees. The governmental activities of Burton include programs related to public safety for fire protection. Burton currently has no business type activities.

The government-wide financial statements can be found on pages 9 thru 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been grouped for specific activities. Burton like other public agencies uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the programs of Burton can be divided into governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Burton's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the two for similar activities and programs. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in this comparison of governmental programs and governmental activities.

Burton maintains three individual governmental funds. Information is presented by expenditure category in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, and the impact fee fund.

Burton adopts an annual budget for the general fund and the debt service fund. A statement comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 thru 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 thru 25 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents a report on compliance and on internal control over financial reporting.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Burton Fire District, assets exceeded liabilities by \$3,637,476 and \$3,339,661 for 2007 and 2006, respectively. The following table reflects the condensed government-wide statement of net assets.

<b>BURTON FIRE DISTRICT NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Current and Other Assets	\$ 2,139,345	\$ 2,009,993
Capital Assets	4,519,667	3,850,340
Total Assets	<u>6,659,012</u>	<u>5,860,333</u>
Long-term Liabilities Outstanding	2,692,241	2,285,305
Other Liabilities	329,295	235,367
Total Liabilities	<u>3,021,536</u>	<u>2,520,672</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	1,826,426	1,565,035
Unrestricted	1,151,066	1,143,009
Restricted	659,984	631,617
Total Net Assets	<u>\$ 3,637,476</u>	<u>\$ 3,339,661</u>

The portion of Burton's net assets \$1,826,426 (50 percent) reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Burton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2007, Burton had outstanding long-term debt of \$2,692,241 that being the general obligation debt and notes payable that were used to build stations and purchase vehicles. The \$659,984 (18 percent) represents the assets restricted for payment of debt and impact fees. The remaining net assets of \$1,151,066 (32 percent) are unrestricted.

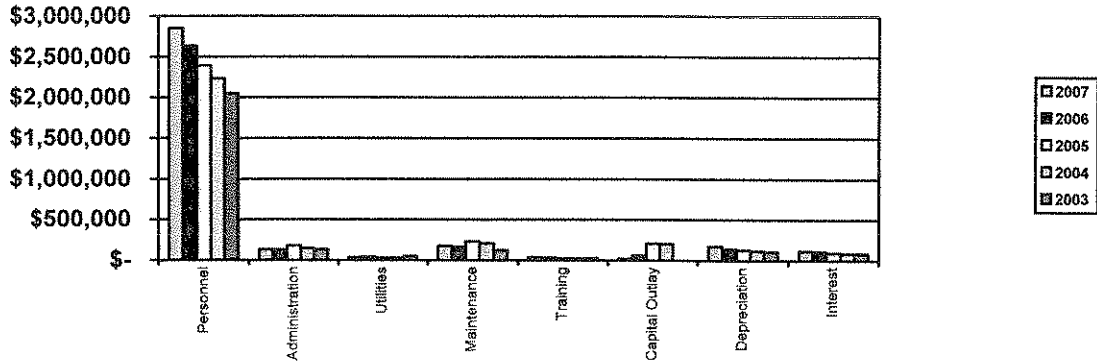
At the end of the current fiscal year, Burton Fire District is able to report positive balances in all funds.

**Governmental activities.** Burton's total net assets increased by \$297,815 for the year ended June 30, 2007 and \$579,596 for the year ended June 30, 2006. Key elements of this increase are as shown in the following table.

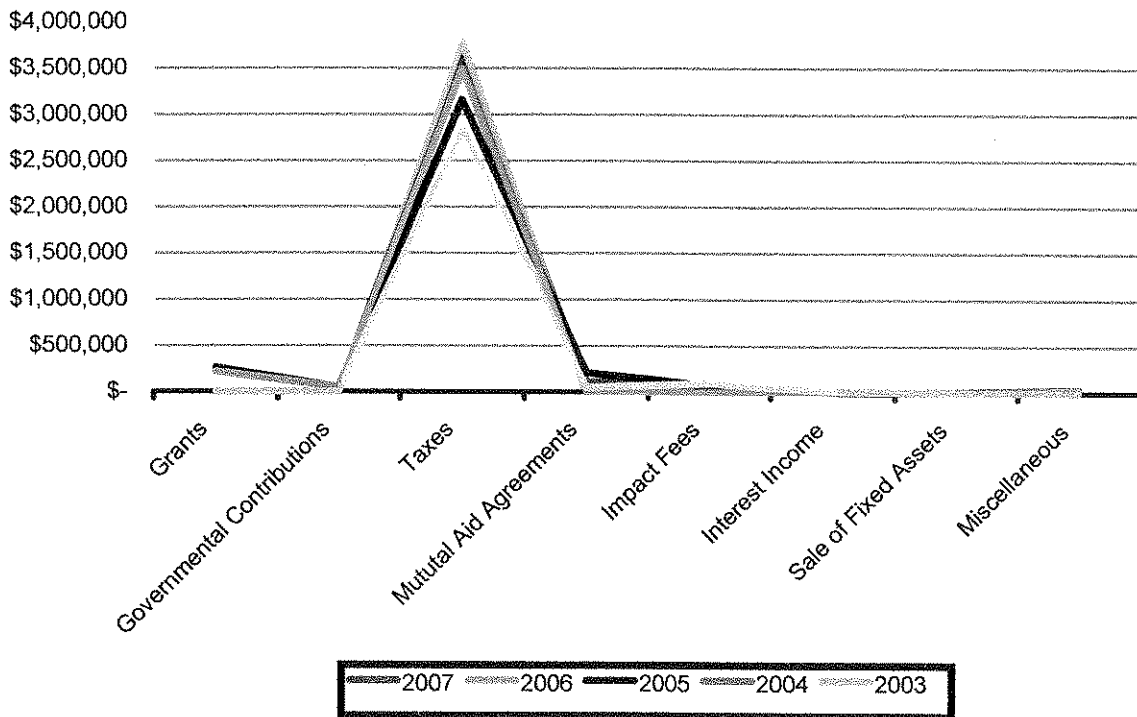
<b>BURTON FIRE DISTRICT CHANGE IN NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Expenses		
Public Safety - Fire Protection		
Personnel	\$ 2,852,149	\$ 2,635,174
Administration	134,738	131,384
Utilities	41,446	44,511
Maintenance	177,441	167,409
Training	40,475	35,380
Capital Outlay	25,538	64,732
Depreciation	173,117	143,016
Interest	117,592	113,729
Total expenses	<u>3,562,496</u>	<u>3,335,335</u>
Net program Expense	<u>(3,562,496)</u>	<u>(3,335,335)</u>
General Revenues		
Taxes	3,619,998	3,794,659
Mutual Aid Agreements	110,260	-
Impact Fees	86,489	87,241
Interest Income	2,738	1,903
Sale of Fixed Assets	6,500	-
Miscellaneous	34,326	31,128
Total general revenues	<u>3,860,311</u>	<u>3,914,931</u>
Increase in net assets	297,815	579,596
Net assets – beginning	<u>3,339,661</u>	<u>2,760,065</u>
Net assets – ending	<u>\$ 3,637,476</u>	<u>\$ 3,339,661</u>



### Expenses – Governmental Activities



### Revenues by Source – Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, Burton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Burton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Burton's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Burton's governmental funds reported combined ending fund balances of \$2,025,092, an increase of \$246,502. The major governmental funds consist of the general fund, the capital projects fund, the debt service fund, and the impact fund. This increase can be attributed to a favorable variance of \$136,030 in revenues and a favorable variance of \$106,470 in expenditures.

As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The entire general fund balance of \$1,304,473 is unreserved while total expenditures were \$3,176,180 which is equal to 41% of total expenditures.

## Capital Assets and Debt Administration

**Capital Assets.** Burton's investment in capital assets for its governmental type activities as of June 30, 2007 amounts to \$4,519,667 (net of accumulated depreciation) and as of June 30, 2006 amounts to \$3,850,340 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, leasehold improvements, furniture and equipment, and vehicles. Increases in Burton's investment in capital assets for the current fiscal year were a total of \$842,444. This includes \$81,636 for the Grays Hill Station, \$739,273 for a ladder truck, \$11,690 for a life pack, \$6,257 for a telephone system, and \$3,588 for a trailer. Depreciation expense was \$173,117 for the 2007 year as compared to \$143,016 for the 2006 year.

### BURTON FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities	
	2007	2006
Land and Improvements	\$ 132,693	\$ 132,693
Construction in Progress	-	1,097,697
Buildings and Improvements	1,967,712	824,096
Furniture and Equipment	93,626	90,522
Vehicles	2,325,636	1,705,332
Total	\$ 4,519,667	\$ 3,850,340

**Long-term debt.** At the end of the current fiscal year, Burton had long-term debt outstanding in the amount of \$2,692,241 for June 30, 2007 and \$2,285,305 for June 30, 2006. The debt was attributable to the construction of fire stations and the acquisition of various vehicles.

**BURTON FIRE DISTRICT LONG-TERM DEBT OUTSTANDING**

	Governmental Activities	
	2007	2006
General Obligation Bonds	\$ 281,126	\$ 292,625
Notes Payable	2,411,115	1,992,680
Total	<u>\$ 2,692,241</u>	<u>\$ 2,285,305</u>

**Economic Factors and Next Year's Budgets**

State legislation, Sec 6-1-320, limits budget increases to a maximum of 3.2% with a recognized growth factor included in the computation. The millage rate used to calculate the tax revenue for the Fire District was ill defined and will make fund balances an important issue in the new fiscal year.

The fiscal year 2007/2008 Budget has been approved by Beaufort County Council. The approved budget of \$3,490,822 was based on 61.1 mills (55.1 mills plus 6.0 mills for debt service).

Burton Fire District personnel should be stable in 2007/2008 with military deployments ending and considering normal turnover. The Fire District now offers Advanced Life Support and will continue to expand this service through training and operational funding.

**Requests for information**

This financial report is designed to provide a general overview of Burton Fire District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief, Burton Fire District, 36 Burton Hill Road, Beaufort, South Carolina, 29906.

## **BASIC FINANCIAL STATEMENTS**

**BURTON FIRE DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

**ASSETS**

Cash	\$ 769,122
Accounts Receivable	129,565
Due from Beaufort County	1,240,658
Capital Assets, not being depreciated	132,693
Capital Assets, being depreciated	4,386,974
Total Assets	6,659,012

**LIABILITIES**

Accounts Payable	20,404
Payroll Liabilities	26,288
Interest Payable	55,618
Accrued Compensated Absences	226,985
Bonds and Notes Payable	
Due within one year	238,373
Due after one year	2,453,868
Total Liabilities	3,021,536

**NET ASSETS**

Unrestricted	1,151,066
Restricted for Debt Service	341,933
Restricted for Impact Fund	318,051
Investment in Capital Assets, net of related debt	1,826,426
Total Net Assets	\$ 3,637,476

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

**EXPENSES**

Public Safety - Fire Protection	
Personnel	\$ 2,852,149
Administration	134,738
Utilities	41,446
Maintenance	177,441
Training	40,475
Capital Outlay	25,538
Depreciation	173,117
Interest	117,592
Total Program Expenses	<u>3,562,496</u>
Net Program Expense	<u>(3,562,496)</u>

**GENERAL REVENUES**

Taxes	3,619,998
Mutual Aid Agreements	110,260
Impact Fees	86,489
Interest Income	2,738
Sale of Fixed Assets	6,500
Miscellaneous	34,326
Total General Revenues	<u>3,860,311</u>
Increase in Net Assets	297,815
Net Assets, Beginning of year	3,339,661
Net Assets, End of year	<u>\$ 3,637,476</u>

The notes to the financial statements are an integral part of this statement.

BURTON DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	GOVERNMENTAL FUND TYPES					TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	IMPACT FUND		
<b>ASSETS</b>						
Cash	\$ 769,122	\$ -	\$ -	\$ -	\$ -	\$ 769,122
Accounts Receivable	116,657	-	12,908	-	-	129,565
Due from Beaufort County	586,582	-	336,025	318,051	-	1,240,658
Due from Other Funds	-	60,635	-	-	-	60,635
Total Assets	<u>\$ 1,472,361</u>	<u>\$ 60,635</u>	<u>\$ 348,933</u>	<u>\$ 318,051</u>	<u>\$ -</u>	<u>\$ 2,199,980</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 20,404	-	-	-	-	\$ 20,404
Payroll Liabilities	26,288	-	-	-	-	26,288
Deferred Revenues	60,561	-	7,000	-	-	67,561
Due to Other Funds	60,635	-	-	-	-	60,635
Total Liabilities	<u>167,888</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>174,888</u>
<b>FUND BALANCES</b>						
Unreserved	1,304,473	60,635	341,933	318,051	-	2,025,092
Total Fund Balances	<u>1,304,473</u>	<u>60,635</u>	<u>341,933</u>	<u>318,051</u>	<u>-</u>	<u>2,025,092</u>
Total Liabilities and Fund Balances	<u>\$ 1,472,361</u>	<u>\$ 60,635</u>	<u>\$ 348,933</u>	<u>\$ 318,051</u>	<u>\$ -</u>	<u>\$ 2,199,980</u>

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

Total net assets reported for governmental activities in the statement of net assets is different because:

Total fund balances for governmental funds \$ 2,025,092

Capital assets used in Burton's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and Improvements	\$	132,693	
Buildings and Improvements, net of \$304,244 accumulated depreciation		1,967,712	
Vehicles, net of \$1,164,569 accumulated depreciation		2,325,636	
Furniture and Equipment, net of \$64,374 accumulated depreciation		<u>93,626</u>	
Total Capital Assets			4,519,667

Some of the Fire District's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

67,561

Long-term liabilities applicable to the Burton's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net assets.

Balances at June 30, 2007 are:

Interest Payable		(55,618)	
Accrued Vacation		(226,985)	
Bonds and Notes Payable		<u>(2,692,241)</u>	
Total Long-Term Liabilities			<u>(2,974,844)</u>

Total net assets of governmental activities

\$ 3,637,476



**BURTON F. DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	IMPACT FUND	
<b>REVENUES</b>					
Taxes	\$ 3,381,616	-	\$ 387,264	\$ -	\$ 3,768,880
Mutual Aid Agreements	-	110,260	-	-	110,260
Impact Fees	-	-	-	86,489	86,489
Interest Income	2,738	-	-	-	2,738
Miscellaneous Income	34,326	-	-	-	34,326
Sale of Fixed Assets	-	6,500	-	-	6,500
Total Revenues	<u>3,418,680</u>	<u>116,760</u>	<u>387,264</u>	<u>86,489</u>	<u>4,009,193</u>
<b>EXPENDITURES</b>					
Public Safety - Fire Protection					
Personnel	2,782,080	-	-	-	2,782,080
Administration	134,738	-	-	-	134,738
Utilities	41,446	-	-	-	41,446
Maintenance	177,441	-	-	-	177,441
Training	40,475	-	-	-	40,475
Capital Outlay	-	867,982	-	-	867,982
Debt Service	-	-	295,386	-	295,386
Total Expenditures	<u>3,176,180</u>	<u>867,982</u>	<u>295,386</u>	<u>-</u>	<u>4,339,548</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>242,500</u>	<u>(751,222)</u>	<u>91,878</u>	<u>86,489</u>	<u>(330,355)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Debt	-	576,857	-	-	576,857
Transfers In	-	235,000	-	-	235,000
Transfers Out	(85,000)	-	-	(150,000)	(235,000)
Total Other Financing Sources (Uses)	<u>(85,000)</u>	<u>811,857</u>	<u>-</u>	<u>(150,000)</u>	<u>576,857</u>
Net Change in Fund Balances	157,500	60,635	91,878	(63,511)	246,502
Fund Balances, Beginning of year	1,146,973	-	250,055	381,562	1,778,590
Fund Balances, End of year	<u>\$ 1,304,473</u>	<u>\$ 60,635</u>	<u>\$ 341,933</u>	<u>\$ 318,051</u>	<u>\$ 2,025,092</u>

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds	\$ 246,502
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$842,444) was more than depreciation (\$173,117) in the current period.	669,327
Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability.	(576,857)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	169,921
Interest is recorded as paid in the governmental funds but is accrued as a liability in the governmental statements. Change in accrued liability.	7,873
Revenues in the fund statements that do not provide current financial resources are not reported as revenues in the statements of activities.	
Taxes	<u>(148,882)</u>
	(148,882)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	<u>(70,069)</u>
Total change in net assets of governmental activities	<u>\$ 297,815</u>

The notes to the financial statements are an integral part of this statement.

**BURTON FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Burton Fire District (Burton) was organized by the General Assembly of the State of South Carolina on February 15, 1973 for the purpose of providing fire protection to the residents of the Burton area of Beaufort County, South Carolina.

**REPORTING ENTITY**

Burton is an autonomous government whose appointed board controls its operations and fiscal accountability. Burton is a separate reporting entity and is not a component unit of any other governmental entity. Beaufort County is a related party in that the Beaufort County Council has final approval of budget, assesses millage, appoints commissioners, and collects taxes.

Generally accepted accounting principles, as established by the Governmental Accounting Standards Board, require that the financial reporting entity's financial statements include the financial operation of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criteria for including organizations as component units within the reporting entity include imposition of will, and financial benefit or burden on a primary government and selection of governing authority. Based on the above criteria, the Burton Fire District has no component units required to be reported in these financial statements.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by the appointed board and the executive director.

The operating budget is funded through property taxes. The operating revenues and expenditures are included in the General Fund. The accounting policies of Burton conform to generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting.

**Government-Wide-and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Burton reports only governmental activities, as there are no business type activities.

**BURTON FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Burton reports the following major governmental funds:

The *general fund* is Burton's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* represents Burton's collection of revenues and payment of expenditures related to capital projects. It accounts for all financial resources that are restricted for capital projects.

The *debt service fund* represents Burton's collection and payment of the general obligation bond. It accounts for all financial resources that are restricted for debt payment.

The *impact fund* represents Burton's collection of impact fees from developers within that district. It accounts for all financial resources that are restricted for capital assets.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is Burton's policy to use restricted resources first then unrestricted resources, as they are needed.

**BURTON FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments

Burton's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Burton is authorized by state statute to invest in the following:

Obligations of the United States and its agencies;  
General obligations of the State of South Carolina and its political units;  
Savings and loan associations to the extent that the same are insured by an agency of the Federal Government;

Certificates of deposit where the certificates are collaterally secured by securities of the type described above and are held by a third party as escrow agent or custodian, at a market value not less than the amounts of the certificates of deposit plus interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the Federal Government.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

The County Ordinance provides for the taxation of all real and personal property located within the fire district limits to be levied in October. All taxes are billed and collected by the County Treasurer on a monthly basis. Real property taxes are delinquent after January 15<sup>th</sup> with penalties assessed of 3% if paid after January 15<sup>th</sup>, 10% if paid after January 31<sup>st</sup>, and 15% if paid after March 15<sup>th</sup>. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by County Ordinance for fiscal year 2007 is 51.9 mils for operations and 6.0 mils for debt service.

Inventories and Prepaid Items

Inventories of the general fund consist of supplies held for consumption and are immaterial to the financial statements and accordingly are not recorded.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by Burton as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Burton does not have any significant infrastructure assets that should be recorded at this time.

**BURTON FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<u>Utilities</u>				
Electricity	\$ 32,500	\$ 32,500	\$ 28,828	\$ 3,672
Internet and Cable	-	-	3,580	(3,580)
Water	4,000	4,000	3,008	992
LP and Natural Gas	6,000	6,000	2,782	3,218
Garbage Pick-up	3,000	3,000	3,248	(248)
Total Utilities	<u>45,500</u>	<u>45,500</u>	<u>41,446</u>	<u>4,054</u>
<u>Maintenance</u>				
Communications	2,500	2,500	4,053	(1,553)
Fire Extinguishers	1,000	1,000	622	378
Breathing Apparatus	6,000	6,000	3,805	2,195
Office Equipment	11,000	11,000	3,992	7,008
Building	23,000	23,000	14,763	8,237
Cleaning Supplies	7,000	7,000	4,259	2,741
Rescue Equipment	5,000	5,000	7,340	(2,340)
First Responder	3,000	3,000	5,798	(2,798)
Vehicle	45,000	45,000	63,970	(18,970)
Fuel	45,000	45,000	49,912	(4,912)
Firefighting Gear Supplies	8,000	8,000	12,174	(4,174)
Firefighting Gear Maintenance	-	-	821	(821)
Firefighting Foam	5,000	5,000	1,988	3,012
Small Tools	1,000	1,000	1,230	(230)
Training Aids	1,000	1,000	2,714	(1,714)
Total Maintenance	<u>163,500</u>	<u>163,500</u>	<u>177,441</u>	<u>(13,941)</u>
<u>Training</u>				
Meals and Lodging	3,000	3,000	10,157	(7,157)
Training and Tuition	27,000	27,000	26,994	6
Travel Expenses	2,000	2,000	3,324	(1,324)
	<u>32,000</u>	<u>32,000</u>	<u>40,475</u>	<u>(8,475)</u>
Total Expenditures	<u>3,282,650</u>	<u>3,282,650</u>	<u>3,176,180</u>	<u>106,470</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>242,500</u>	<u>242,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(85,000)	(85,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(85,000)</u>	<u>(85,000)</u>
Net Change in Fund Balances	-	-	157,500	157,500
Fund Balances, Beginning of year	1,146,973	1,146,973	1,146,973	-
Fund Balances, End of year	<u>\$ 1,146,973</u>	<u>\$ 1,146,973</u>	<u>\$ 1,304,473</u>	<u>\$ 157,500</u>

**BURTON FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>CAPITAL PROJECTS FUND</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES</b>				
Mutual Aid Agreements	\$ 81,000	\$ 81,000	\$ 110,260	\$ 29,260
Sale of Fixed Assets	-	-	6,500	6,500
Total Revenues	<u>81,000</u>	<u>81,000</u>	<u>116,760</u>	<u>35,760</u>
<b>EXPENDITURES</b>				
<b>Public Safety - Fire Protection</b>				
<u>Capital Outlay</u>				
Buildings	15,000	87,584	81,636	5,948
Office Equipment	-	-	7,748	(7,748)
Computer Equipment	10,000	10,000	5,492	4,508
Firefighting Equipment	33,500	33,500	9,187	24,313
Vehicles	242,500	746,773	742,861	3,912
Furniture	15,000	15,000	9,023	5,977
Training Equipment	-	-	345	(345)
Firefighting Gear and Supplies	-	-	11,690	(11,690)
Total Capital Outlay	<u>316,000</u>	<u>892,857</u>	<u>867,982</u>	<u>24,875</u>
Total Expenditures	<u>316,000</u>	<u>892,857</u>	<u>867,982</u>	<u>24,875</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(235,000)</u>	<u>(811,857)</u>	<u>(751,222)</u>	<u>60,635</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Debt	-	576,857	576,857	-
Transfers In	235,000	235,000	235,000	-
Total Other Financing Sources (Uses)	<u>235,000</u>	<u>811,857</u>	<u>811,857</u>	<u>-</u>
Net Change in Fund Balances	-	-	60,635	60,635
Fund Balances, Beginning of year	-	-	-	-
Fund Balances, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,635</u>	<u>\$ 60,635</u>

**BURTON FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>DEBT SERVICE FUND</b>		
	<b>ORIGINAL AND FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>			
Taxes	\$ 380,232	\$ 387,264	\$ 7,032
Total Revenues	<u>380,232</u>	<u>387,264</u>	<u>7,032</u>
<b>EXPENDITURES</b>			
Public Safety - Fire Protection			
Debt Service	295,232	295,386	(154)
Total Expenditures	<u>295,232</u>	<u>295,386</u>	<u>(154)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>85,000</u>	<u>91,878</u>	<u>6,878</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	85,000	-	85,000
Total Other Financing Sources (Uses)	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Net Change in Fund Balances	-	91,878	91,878
Fund Balances, Beginning of year	250,055	250,055	-
Fund Balances, End of year	<u>\$ 250,055</u>	<u>\$ 341,933</u>	<u>\$ 91,878</u>



**COMPLIANCE SECTION**

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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners  
Burton Fire District  
Burton, South Carolina

I have audited the financial statements of Burton Fire District as of and for the year ended June 30, 2007, and have issued my report thereon dated March 14, 2008. I conducted my audit in accordance with auditing standards generally accepted by 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.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Burton Fire District internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burton's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Burton's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Burton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Burton's financial statements that is more than inconsequential will not be prevented or detected by Burton's internal control. I consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

**07-01 Condition -** **Payments are being made without proper documentation such as original invoices or receipts attached to statements.**

Effect of Condition - The allowability of the expense and whether or not it is coded properly could not be verified.

Recommendation - All invoices and/or receipts should be maintained for proper record keeping. Do not pay from statements or credit card bills without documentation. Expenditures related to travel should be supported by documentation of necessity for travel.

Management Response - We are currently taking aggressive action to ensure that this recommendation is satisfied.

**07-02 Condition -** **I encountered various problems with the reconciliation of payroll and related expenditures. Payroll journals and tax reports were not readily available or not available at all. Payroll taxes and retirement liabilities were not always paid timely. Payroll liability accounts are not being used to record payment of liabilities such as child support, retirement, and medical insurance. This is a repeat problem from the prior year.**

Effect of Condition - I experienced difficulty reconciling salaries. Late filings on taxes and retirement result in penalties to the Fire District. Payroll liability accounts were misstated.

Recommendation - Develop procedures to verify payment of taxes and retirement.

Management Response - The District is taking aggressive action through policies and procedures to ensure that this recommendation is satisfied.

**07-03 Condition -** **During a test of expenditures, it was noted that some expenditures did not have approval to pay indicated on the invoice.**

Effect of Condition - Expenditures are not being reviewed before payment.

Recommendation - All payments should be approved before payment is made.

Management Response - The District is taking aggressive action through policies and procedures to ensure that this recommendation is satisfied.

**07-04 Condition -** **Filing system in respect to employee files do not adequately maintain information. Employee files contained documentation was incomplete or missing such as regulatory forms and personnel records.**

Effect of Condition - Information is not readily available and can not be produced in the event of a regulatory audit that could result in fines to Burton Fire District.

Recommendation - Procedures should be implemented to follow-up on employee documentation.

Management Response - The District is taking aggressive action through policies and procedures to ensure that this recommendation is satisfied.

- 07-05 Condition -** Time cards were not filled out properly or approved by a supervisor during part of the fiscal year.
- Effect of Condition - Information can not be produced in the event of a regulatory audit that could result in fines to Burton Fire District.
- Recommendation - Procedures should be implemented to have employees fill out time cards and all time cards should be approved by a supervisor before payment.
- Management Response - The District has taken aggressive action through policies and procedures to ensure that this recommendation is satisfied.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Burton's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that all of the reportable conditions described above are material weaknesses.

#### Compliance and Other Matters

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

- 07-06 Condition -** Collateral on deposits is required by South Carolina State Law. The collateral of \$497,344 was not sufficient to cover deposits of \$883,280 at June 30, 2007.
- Effect of Condition - Burton is not in compliance with state law.
- Recommendation - Bank is not sending collateral statements to Burton on a regular basis. Discuss having bank send period statements so that this can be monitored.
- Management Response - The District is taking aggressive action through policies and procedures to ensure that this recommendation is satisfied.

This report is intended for the information of the board of commissioners and management and is not intended to be and should not be used by anyone other than those specified parties.

*Lisa T. Wechsler, P.A.*

Lisa T. Wechsler, P.A.  
Beaufort, South Carolina  
May 14, 2008

