

DAUFUSKIE ISLAND FIRE DISTRICT

**Financial Statements
for the Year Ended
June 30, 1996**

DAUFUSKIE ISLAND FIRE DISTRICT

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Report of Independent Certified Public Accountants

The Honorable Board of Commissioners
Daufuskie Island Fire District
Daufuskie Island, South Carolina

We have audited the accompanying general purpose financial statements of the Daufuskie Island Fire District as of and for the year ended June 30, 1996. These general purpose financial statements are the responsibility of Daufuskie Island 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 Daufuskie Island Fire District as of June 30, 1996, and the results of its operations for the year then ended in conformity with Generally Accepted Accounting Principles.

Our examination was made for the purpose of forming an opinion on the 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 Daufuskie Island Fire District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Chris Morris & Associates, PC

October 2, 1996

Daufuskie Island Fire District
Combined Balance Sheets
All Fund Types & Account Groups

June 30, 1996

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)	
	General	Debt Service	General Fixed Assets	General Long- Term Debt	June 30, 1996	June 30, 1995 *
Assets:						
Cash and investments	\$30,979	—	—	—	\$30,979	\$23,590
Cash-restricted (Beaufort County)	13,487	12,958	—	—	26,445	13,253
Tax receivable-restricted	28,769	—	—	—	28,769	23,376
Prepaid expense	4,419	—	—	—	4,419	12,856
Amount to be provided for retirement of general long-term debt	—	—	—	1,258	1,258	2,212
Land	—	—	36,048	—	36,048	—
Furniture & fixtures	—	—	1,740	—	1,740	1,582
Office equipment	—	—	10,631	—	10,631	13,514
General equipment	—	—	124,697	—	124,697	103,836
Motor vehicles	—	—	143,383	—	143,383	23,692
Total assets	\$77,654	\$12,958	\$316,499	\$1,258	\$408,369	\$217,911
Liabilities and Fund Equity:						
Accounts payable	\$9,795	—	—	—	\$9,795	\$8,487
Accrued payroll	5,960	—	—	—	5,960	2,339
Compensated absences	—	—	—	1,258	1,258	2,212
Payroll taxes withheld	9,980	—	—	—	9,980	11,158
Total liabilities	25,735	—	—	1,258	26,993	24,196
Fund Equity						
Investment in general fixed assets	—	—	316,499	—	316,499	142,623
Fund balance:						
Reserved for debt service	—	12,958	—	—	12,958	12,532
Unreserved	51,919	—	—	—	51,919	38,560
Total fund equity	51,919	12,958	316,499	—	381,376	193,715
Total liabilities and fund equity	\$77,654	\$12,958	\$316,499	\$1,258	\$408,369	\$217,911

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

* The prior year balances have been reclassified to conform to the 1996 presentation and restated.

Daufuskie Island Fire District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types

For the Fiscal Year Ended June 30, 1996

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Debt Service	June 30, 1996	June 30, 1995 *
Revenues:				
Current Taxes	\$282,156	--	\$282,156	\$228,266
Homestead Exemption	254	--	254	--
Delinquent Taxes	44,472	283	44,755	12,134
Automobile Taxes	3,627	115	3,742	--
3% and 7% Penalties	2,274	28	2,302	2,340
Interest Income	4,250	--	4,250	768
Contributions	141,702	--	141,702	1,737
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	478,735	426	479,161	245,245
Expenditures:				
Salaries	150,089	--	150,089	61,646
Fuel and oil	4,860	--	4,860	3,894
Tuition, travel, meals and lodging	7,867	--	7,867	8,366
Telephone	2,746	--	2,746	1,366
Utilities	4,890	--	4,890	824
Firefighting supplies	5,188	--	5,188	--
Dispatch	9,000	--	9,000	9,000
Office supplies and photos	1,821	--	1,821	2,365
Equipment rental	2,663	--	2,663	--
Repairs and maintenance	21,331	--	21,331	8,073

Dues and subscriptions	2,164	--	2,164	2,624
Employee insurance	12,064	--	12,064	17,966
Employee medical	919	--	919	2,165
Liability insurance	21,744	--	21,744	11,139
Payroll taxes	14,137	--	14,137	6,538
Payroll tax penalties	1,546	--	1,546	8,797
Uniforms	2,268	--	2,268	2,423
Accounting and legal	4,146	--	4,146	100
Other general and administrative	2,591	--	2,591	4,739
Capital outlay-				
Current expenditures	193,266	--	193,266	46,371
Debt service-				
Interest and fiscal charges	76	--	76	--
Total expenditures	<u>465,376</u>	<u>--</u>	<u>465,376</u>	<u>198,396</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,359</u>	<u>426</u>	<u>13,785</u>	<u>46,849</u>
FUND BALANCES, July 1, Before Restatement	47,357	12,532	59,889	4,243
Restatement (Footnote 7)	(8,797)	--	(8,797)	--
FUND BALANCES, July 1, After Restatement	<u>38,560</u>	<u>12,532</u>	<u>51,092</u>	<u>4,243</u>
FUND BALANCES, June 30	<u>\$51,919</u>	<u>\$12,958</u>	<u>\$64,877</u>	<u>\$51,092</u>

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

* The prior year balances have been reclassified to conform to the 1996 presentation and restated.

Daufuskie Island Fire District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 1996

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:			
Current Taxes	\$282,156	\$591,000 *	\$308,844
Homestead Exemption	254	--	(254)
Delinquent Taxes	44,472	--	(44,472)
Automobile Taxes	3,627	--	(3,627)
3% and 7% Penalties	2,274	--	(2,274)
Interest Income	4,250	--	(4,250)
Contributions	141,702	--	(141,702)
	<hr/>	<hr/>	<hr/>
Total revenues	478,735	591,000	112,265
Expenditures:			
Salaries	150,089	168,000	17,911
Fuel and oil	4,860	8,000	3,140
Tuition, travel, meals and lodging	7,867	23,000	15,133
Telephone	2,746	1,200	(1,546)
Utilities	4,890	3,500	(1,390)
Firefighting supplies	5,188	--	(5,188)
Dispatch	9,000	9,000	--
Office supplies and photos	1,821	6,050	4,229
Equipment rental	2,663	500	(2,163)
Repairs and maintenance	21,331	29,050	7,719

Dues and subscriptions	2,164	1,200	(964)
Employee insurance	12,064	20,000	7,936
Employee medical	919	5,000	4,081
Liability insurance	21,744	41,973	20,229
Payroll taxes	14,137	14,427	290
Payroll tax penalties	1,546	--	(1,546)
Uniforms	2,268	3,100	832
Accounting and legal	4,146	4,500	354
Other general and administrative	2,591	4,500	1,909
Current expenditures	193,266	248,000	54,734
Interest and fiscal charges	76	--	(76)
Total expenditures	<u>465,376</u>	<u>591,000</u>	<u>125,624</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,359</u>	<u>--</u>	<u>13,359</u>
FUND BALANCES, July 1, Before Restatement	47,357	--	47,357
Restatement (Footnote 7)	(8,797)	--	(8,797)
FUND BALANCES, July 1, After Restatement	<u>38,560</u>	<u>--</u>	<u>38,560</u>
FUND BALANCES, June 30	<u><u>\$51,919</u></u>	<u><u>--</u></u>	<u><u>\$51,919</u></u>

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

* This revenue includes budgeted capital expenditures of \$248,000.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 1996

Note 1 - Summary of Significant Accounting Policies

The Daufuskie Island Fire District (The Fire District) was created by Beaufort County in 1988. The charter was put into effect in April 1989. The Fire District is governed by seven board members appointed by the Beaufort County Council. As a governmental agency, it is tax exempt.

The Daufuskie Island 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, Daufuskie Island 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. Daufuskie Island Fire District maintains the following fund types and accounts groups:

1. **Governmental Fund Types**, that include the General Fund, and Debt Service Fund, are used to record the general operations of Daufuskie Island Fire District.

General Fund - The General Fund is the general operating fund of Daufuskie Island Fire District. It is used to account for all financial resources and expenditures not pertaining to the service of debt.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of the general long-term obligation bond principal and interest, as well as other long-term debt.

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.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

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

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.

Major revenue sources susceptible to accrual include: property taxes, automobile taxes, inventory taxes and interest income.

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.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

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

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Fire District's financial position and operations. However, comparative (i.e., presentation of the prior year totals by fund type) data have not been presented in the General Fund statement because their inclusion would make the statement unduly complex and difficult to read.

G. Budgets and Budgetary Accounting

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

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

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

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

consistent with Generally Accepted Accounting Principles (GAAP).

H. Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances lapse at the close of the fiscal year.

I. Tax Collection

Daufuskie Island Fire District is a component unit of Beaufort County, South Carolina, and as such, Beaufort County is responsible for collecting taxes for Daufuskie Island Fire District and for holding the cash for Daufuskie Island 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. 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.

Additional receipts are maintained by the County on behalf of the Fire District and are recorded in the "Due from Other Funds" account.

Funds transferred to the Fire District, in accordance with the budget, were \$213,600 and \$591,000 for fiscal years 1995 and 1996 respectively.

Note 2 - 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. Additionally, the County appoints the Commissioners that oversee the Fire District, and the County provides all payroll tax services for the Fire District.

The Fire District's Chief provides limited maintenance service

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

**Note 2 - Related Party Transactions
(continued)**

through his businesses, The Hutton Company and Hutton Brothers Service Company. The Assistant Fire Chief's wife provides secretarial services to the Fire District.

Note 3 - Cash and Investments

During the year ended June 30, 1996, Beaufort County collected money to be used by the Fire District for its future debt service, as Daufuskie Island Fire District has no debt at this time. These funds are held in escrow by the County and are reported in the Debt Service Fund.

All cash accounts held by Daufuskie Island Fire District or Beaufort County are insured by the FDIC.

Beaufort County's restricted cash usually are balances on a ledger. The actual cash for the accounts are in Beaufort County's general checking accounts. Some of those funds are taken, from time to time, to invest in various investments. The interest that is earned accrues to the Fire District.

Note 4 - Compensated Absences

Full-time permanent employees are granted annual vacation benefits. Generally, after one year of service, employees are entitled to their accrued vacation upon termination. Only the Fire Chief and Assistant Fire Chief had accrued vacation at the end of June 1996.

The estimated current portion of the liability for vested vacation 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 5 - Claims and Judgements

The Fire District's losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

Note 6 - Contributions from Local Businesses

Local businesses on Daufuskie Island entered a pact with Beaufort County, whereby the businesses would pay \$140,000 in fiscal year 1996 to the Fire District, and \$100,000 each year thereafter, as a contribution for the improvement of the Fire District. All funds promised for fiscal year 1996 were received. However, it is likely that a portion of the funds will not be received in the future, since one of the businesses has ceased to exist. This reduction in revenue is not viewed as a going concern risk, and the shortfall is not currently expected to affect operations in the future.

Note 7 - Restatement of Prior Year Payroll

An error was made in the 1995 audited financial statements. This is because payroll taxes due in fiscal year 1995 were not paid until fiscal year 1997. During a transition of payroll processing to Beaufort County, some payroll tax payments were missed. The result was the Fire District had a material unreported liability for payroll taxes and penalties at the end of fiscal year 1995. Since the prior accountant was not aware that these taxes had not been paid, the balances were omitted from the fiscal year 1995 financial statements. The unreported taxes and penalties due and not paid equalled \$8,797 at the close of business on June 30, 1995. However, all back taxes and penalties have been paid subsequent to the 1996 fiscal year end. Management is presently seeking reductions in certain penalties from the governments at this time. However, there are no guarantees that any reimbursements will be received.

Note 8 - Leases

The Fire District leases land and equipment under operating leases with unexpired terms of from one to three years. Total rental expense for leases amounted to \$2,592 and \$2,663 in fiscal years 1995 and 1996 respectively.

Minimum annual rentals for operating leases in effect at June 30, 1996, are listed below. There were no capital leases outstanding on June 30, 1996.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements (continued)
June 30, 1996

Note 8 - Leases
(continued)

<u>Fiscal Year</u>	<u>Equipment</u>
1997	\$2,580
1998	2,580
1999	1,505
2000	-
2001	-
2002 and thereafter	-
	<u>\$6,665</u>

Schedule

DAUFUSKIE ISLAND FIRE DISTRICT
Schedule of Changes in General Fixed Assets

	<u>Balance*</u> <u>July 1, 1995</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 1996</u>
Land	\$ 0	\$ 36,048	\$ 0	\$ 36,048
Buildings	0	0	0	0
Furniture & Fixtures	1,582	650	492	1,740
Office Equipment	13,514	2,034	4,917	10,631
General Equipment	103,836	34,178	13,317	124,697
Motor Vehicles	<u>23,692</u>	<u>120,355</u>	<u>664</u>	<u>143,383</u>
Total	<u>\$ 142,624</u>	<u>\$193,265</u>	<u>\$ 19,390</u>	<u>\$ 316,499</u>

*The prior year balances have been reclassified to conform to the 1996 presentation and restated.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the County Council
Daufuskie Island Fire District, South Carolina

We have audited the general purpose financial statements of Daufuskie Island Fire District, South Carolina, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 2, 1996.

We conducted our audit in accordance with Generally Accepted Auditing Standards and GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Daufuskie Island Fire District, South Carolina, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Daufuskie Island Fire District, South Carolina, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (continued)**

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Daufuskie Island Fire District, South Carolina, in a separate letter dated October 2, 1996.

This report is intended for the information of management, and the County Council of Daufuskie Island Fire District. However, this report is a matter of public record and its distribution is not limited.

Chapman & Assoc, PC

Tucker, GA
October 2, 1996

Chris Morris & Associates, PC

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October 2, 1996

The Honorable Board of Commissioners
Daufuskie Island Fire District
Daufuskie Island, South Carolina

Following are a few recommendations we came up with as a result of our audit.

Accounting Services

Numerous classification errors were made in the QuickBooks accounting software maintained by Fire District personnel. While this is to be expected for non-CPAs, it results in misleading financial information for the Commission. Additionally, QuickBooks accruals were not utilized, and payroll and other entries were not included in the QuickBooks runs. Thus, relying on this data to determine how the Fire District is doing against budget is unreliable at best.

We recommend that you have your accountant prepare monthly financial statements, and have them key the data from the actual invoices and checks, and deposit tickets, instead of utilizing the QuickBooks runs. This will ensure that the Commission is receiving accurate monthly financial data. Also, it would help if the County could provide information on a monthly basis to the accountant so that their actual data can be included in the financial statements. Presently, they have been sending data roughly once a month, but have lagged the data by a month or more, so this may not be possible. However, without this data, the financial statements as compared to budget will be somewhat misleading.

Receipts are Handled by Fire District Staff

Receipts of revenues from Beaufort County should be reconciled on a monthly basis, by someone independent of the staff who actually make the deposits. In this manner, there is assurance that what is withdrawn from the County is deposited correctly into the Fire District's accounts.

Check Signers

Currently Ed Boys and Chris Hutton can both sign checks. My understanding is that Chris Hutton will be removed from the bank's

The Honorable Board of Commissioners
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signature list. However, we do not recommend that checks be signed by the two people who handle the accounting and deposits. We believe that it helps reduce risks by having either the Fire Chief or Assistant Chief sign a check and that the second signature be by a Commissioner.

Check Reconciliations

QuickBooks, which the Fire District uses, has bank statement reconciliation capabilities. However, the balances were not correct that we received. Both the beginning balances and some deposits were in error. Also, we recommend that someone independent of the check writing function reconcile the bank statements. It is even advisable to have the actual bank statements mailed to someone else, for example the accountant each month, and that after the accountant finishes the reconciliation, the statements be returned to the Fire District. This is a standard control utilized by most entities.

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.

Capitalization Procedures

We noted that a number of reclassifications between repairs and maintenance and capital assets had to be made. Proper fixed asset accounting, and proper capitalization policies (such as what minimum amounts should be capitalized) should help alleviate this problem. It is also important that capital budgets be approved by the Commission, and that the County be advised of all capital expenditures before they are made.

Voiding Checks

A number of voided checks were left in the files. Some even had signatures. But only a few were destroyed or marked "VOID." Thus, the checks were still good, and falling into the wrong hands, could be cashed. We recommend that management properly destroy or VOID all checks that you plan to VOID.

Payroll Liabilities

A number of payroll liabilities had been missed and not paid when required. These liabilities were paid recently. But it is important to reconcile payroll to payroll tax liabilities. Since Beaufort County has taken over the payroll, they are now paying the

The Honorable Board of Commissioners

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October 2, 1996

taxes for the Fire District. However, it is useful to have your accountant who prepares your financial statements, reconcile these each quarter so that there are no more missed payroll tax payments in the future.