

DAUFUSKIE ISLAND FIRE DISTRICT

Financial Statements
for the Year Ended
June 30, 2000

DAUFUSKIE ISLAND FIRE DISTRICT

Table of Contents

	Page
Report of Independent Auditor	2
Combined Balance Sheets	3
Combined Statement of Revenue, Expenditures and Changes in Fund Balances, All Governmental Fund Types	4-5
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual-General Fund	6-7
Notes to Financial Statements	8-15
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16

Chris Morris & Associates, PC

Certified Public Accountants

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

P.O. Box 2544
Lilburn, GA 30226-2544
FAX (770) 491-7290

Report of Independent Auditor

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, 2000. 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, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the 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

Tucker, Georgia
August 1, 2000

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

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Impact	General Fixed Assets	General Long- Term Debt	June 30,	June 30,
						2000	1999
Assets:							
Cash and investments	\$218,410	--	--	--	--	\$218,410	\$206,740
Prepaid expense	1,015	--	--	--	--	1,015	25,732
Restricted -							
Cash (Beaufort County)	--	--	12,823	--	--	12,823	(213,511)
Tax receivable	4,675	618	751	--	--	6,044	7,545
Land	--	--	--	36,048	--	36,048	36,048
Buildings	--	--	--	930,710	--	930,710	930,710
Furniture & fixtures	--	--	--	25,650	--	25,650	19,773
Office equipment	--	--	--	4,479	--	4,479	4,479
Computer equipment	--	--	--	6,245	--	6,245	3,800
General equipment	--	--	--	186,556	--	186,556	170,232
Motor vehicles	--	--	--	320,968	--	320,968	320,439
Amount to be provided for retirement of general long-term debt	--	--	--	--	473,991	473,991	510,893
Total assets	\$224,100	\$618	\$13,574	\$1,510,656	\$473,991	\$2,222,939	\$2,022,881
Liabilities and Fund Equity:							
Restricted -							
Excess of outstanding checks over bank balance	\$62,554	\$28,923	--	--	--	91,477	--
Accounts payable	6,610	--	--	--	--	6,610	4,445
Accrued payroll	5,490	--	--	--	--	5,490	10,712
Compensated absences payable	--	--	--	--	--	--	1,308
Retirement payable	944	--	--	--	--	944	1,842
Payroll tax liability	4,580	--	--	--	--	4,580	8,755
Bonds payable	--	--	--	--	473,991	473,991	509,585
Total liabilities	80,178	28,923	--	--	473,991	583,092	536,647
Commitments and contingencies							
Fund Equity:							
Investment in general fixed assets	--	--	--	1,510,656	--	1,510,656	1,485,482
Fund balance:							
Reserved for capital projects	--	--	13,574	--	--	13,574	--
Unreserved	143,922	(28,305)	--	--	--	115,617	752
Total fund equity	143,922	(28,305)	13,574	1,510,656	--	1,639,847	1,486,234
Total liabilities and fund equity	\$224,100	\$618	\$13,574	\$1,510,656	\$473,991	\$2,222,939	\$2,022,881

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

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, 2000

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Impact	June 30, 2000	June 30, 1999
Revenues:					
Current taxes	\$418,124	\$55,675	\$15,309	\$489,108	\$362,610
Homestead exemption	540	72		612	509
Delinquent taxes	19,841	2,625		22,466	12,856
Automobile taxes	10,867	1,413		12,280	11,274
Penalties	3,020	1,127		4,147	3,061
Motor carrier tax	—	—		—	292
Interest	6,453	—	6	6,459	4,729
Contributions - Developers	125,000	—	—	125,000	55,000
Other	13,775	—	114	13,889	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	597,620	60,912	15,429	673,961	450,331
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:					
Current -					
Salaries	282,845	—	—	282,845	208,078
Employee insurance	49,404	—	—	49,404	71,088
Retirement	28,063	—	—	28,063	25,513
Payroll taxes	21,833	—	—	21,833	18,721
Employee medical	1,555	—	—	1,555	1,441
Liability insurance	17,129	—	—	17,129	11,694
Repairs and maintenance	17,024	—	—	17,024	11,740
Dispatch	—	—	—	—	9,000
Utilities	6,889	—	—	6,889	3,327
Fuel and oil	4,499	—	—	4,499	3,655
Tuition, travel, meals and lodging	2,446	—	—	2,446	5,237

Uniforms	1,977	--	--	1,977	3,792
Accounting and legal	9,036	--	--	9,036	9,083
Telephone	3,767	--	--	3,767	3,429
Supplies	4,675	--	--	4,675	5,572
Equipment rental	3,419	--	--	3,419	3,026
Dues and subscriptions	798	--	--	798	875
Other general and administrative	4,091	--	--	4,091	4,822
Capital outlay -					
Current expenditures	23,319	--	1,855	25,174	154,401
Debt service -					
Principal retirement	--	35,714	--	35,714	34,458
Interest and fiscal charges	--	25,184	--	25,184	29,314
Total expenditures	482,769	60,898	1,855	545,522	618,266
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,851	14	13,574	128,439	(167,935)
Total Other Financing Sources	--	--	--	--	--
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	114,851	14	13,574	128,439	(167,935)
FUND BALANCES, July 1	29,071	(28,319)	--	752	168,687
FUND BALANCES, June 30	\$143,922	(\$28,305)	\$13,574	\$129,191	\$752

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

DAUFUSKIE ISLAND FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2000

	General Fund		Variance- Favorable (Unfavorable)
	Actual	Budget	
Revenues:			
Taxes - Beaufort County Treasurer	\$466,167	\$552,000	(\$85,833)
Interest	6,453	-	6,453
Contributions	125,000	-	125,000
Total revenues	597,620	552,000	45,620
Expenditures:			
Current -			
Salaries	282,845	286,876	4,031
Employee insurance	49,404	65,499	16,095
Retirement	28,063	29,548	1,485
Payroll taxes	21,833	22,631	798
Employee medical	1,555	3,000	1,445
Liability insurance	17,129	20,600	3,471
Repairs and maintenance	17,024	15,200	(1,824)
Dispatch	-	9,000	9,000
Utilities	6,889	4,500	(2,389)
Fuel and oil	4,499	4,000	(499)
Tuition, travel, meals and lodging	2,446	9,000	6,554
Uniforms	1,977	4,800	2,823
Accounting and legal	9,036	6,000	(3,036)
Telephone	3,767	2,800	(967)
Supplies	4,675	3,900	(775)
Equipment rental	3,419	3,500	81

Dues and subscriptions	798	1,000	202
Other general and administrative	4,091	10,146	6,055
Capital outlay -			
Current expenditures	23,319	50,000	26,681
Total expenditures	<u>482,769</u>	<u>552,000</u>	<u>69,231</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$114,851</u>	<u>—</u>	<u>\$114,851</u>

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

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

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.

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 account groups:

1. **Governmental Fund Types**, that include the General Fund, Debt Service Fund, and Impact 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 or the impact fund.

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.

Impact Fund - The Impact Fund is used to account for the accumulation of taxes for the purchase of capital assets or construction projects.

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

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 1 - Summary of Significant Accounting Policies (continued)

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 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.

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 general fund, for the fiscal year commencing on the following

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 1 - Summary of Significant Accounting Policies (continued)

- 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 budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

H. Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances lapse at the close of the fiscal year.

I. Tax Collection

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.

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.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 2 - Pension Costs

The Fire District participates in a State-run defined contribution pension benefit 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 contribution plan vest after five years of plan participation. Employees defer a portion of their salary until termination, retirement, death or financial hardship.

Retirement age is 55 with five years of service or 25 years of credited service. Disability benefits are available with five years of credited service unless the injury is job related. The normal cost is funded by contributions from the members at a rate of 6.5% of salary. The Fire District's share of normal cost is based on 10.3% of the participants' wages. No past service costs are assessed against the Fire District.

The Fire District's total payroll in fiscal year 2000 was \$282,845 while contributions were based on a payroll of \$280,891. Daufuskie Island Fire District was required to contribute \$30,204 while the employees contributed \$19,061 for fiscal year 2000.

Note 3 - Related Party Transactions

The Fire District is a component unit of Beaufort County, South Carolina, and it receives the major portion of its revenues through taxes assessed by the County. Additionally, the County appoints the Commissioners that oversee the Fire District, and the County provides all payroll tax services for the Fire District.

Note 4 - Debt Service Fund

During the year ended June 30, 2000, Beaufort County collected money to be used by the Fire District to pay its debt service on the outstanding First Wachovia bond. These funds are held in escrow by the County and are reported in the Debt Service Fund.

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 Fire District. The latest projected assessed value as of June 30, 2000, was \$13,143,475. The computation of legal debt limits is as follows:

General obligation debt limit (\$13,143,475 x 8%)	\$1,051,478
General obligation debt at June 30, 2000	<u>473,991</u>
Excess of debt limit over general obligation debt	<u>\$ 577,487</u>

A deficit fund balance of \$28,305 exists in the debt service fund. The deficit results from the issuance of debt in 1998 and the millage rate not being raised quickly enough in the to cover the new bond payments. Cumulatively there is adequate cash available to cover the deficit in the unreserved general fund, and the deficit should be covered by future taxes.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 5 - General Long-Term Debt

General Obligation Bond:

\$600,000 General Obligation Bond,
due in annual installments of \$60,898
through June 1, 2010. Payments include
interest of 4.86%, unsecured.

\$ 473,991

The General Obligation Bond is with Wachovia Bank of South Carolina, N.A. Their covenants require an annual governmental audit, *Government Auditing Standards*, with both a complete report and an internal controls report. The bond is unsecured, except by a promise to levy taxes for payment of the debt, and for a promise for Beaufort County to levy taxes should Daufuskie Island Fire District not be able to levy adequate taxes to service the debt. The bond was issued on April 1, 1998.

The total annual requirements to pay all debt outstanding as of June 30, 2000, including estimated interest are as follows:

<u>Year(s) ended</u> <u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Bond</u> <u>Requirements</u>
2001	\$ 23,010	\$ 37,888	\$ 60,898
2002	21,168	39,730	60,898
2003	19,238	41,660	60,898
2004	17,212	43,686	60,898
2005	<u>15,090</u>	<u>45,808</u>	<u>60,898</u>
Total over next 5 years	<u>95,718</u>	<u>208,772</u>	<u>304,490</u>
Total require- ments beyond the next 5 years 2006-2010	<u>39,810</u>	<u>264,680</u>	<u>304,490</u>
Total debt requirements	<u>\$135,528</u>	<u>\$473,452</u>	<u>\$608,980</u>

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

	<u>General Long-</u> <u>Term Debt</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>General Long-</u> <u>Term Debt</u> <u>June 30, 2000</u>
Bond	<u>\$ 509,585</u>	<u>\$ 0</u>	<u>\$ 35,594</u>	<u>\$ 473,991</u>

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 6 - Cash and Investments

The Fire District maintains all of its cash and marketable securities with one bank, and its cash balances are over the \$100,000 limit for FDIC insurance. Much of the cash is currently held in money market instruments that yields interest. The balance of uninsured cash and money market instruments is \$118,410 as of the balance sheet date.

During the year ended June 30, 2000, Beaufort County collected taxes to be used by the Fire District, and disbursed funds to the Fire District per the budget. The excess cash funds were held in escrow by the County and were reported in the respective funds as restricted assets.

Note 7 - Compensated Absences

Full-time permanent employees are granted annual vacation benefits in varying amounts depending on tenure.

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. There were no unpaid benefits outstanding on June 30, 2000.

Note 8 - Tax Receivable

During the year, Beaufort County accrued a receivable for delinquent taxes to be collected on behalf of the Fire District to pay its general fund and debt service fund on the General Obligation Bond. These funds were received within 60 days after June 30 and escrowed by the County and the revenues are reported in the General and Debt Service funds as tax receivable.

Note 9 - Claims and Judgements

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

Note 10 - Impact Fund

Beaufort County created an Impact Fund for Daufuskie Island 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 Daufuskie Island Fire District. To date, no expenditures have been made out of this fund.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 11 - 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 Beaufort County, and \$100,000 each year for four years thereafter, as a contribution toward the improvement of the Fire District.

The agreement was between the contractors and Beaufort County. Yet, Beaufort County has separately entered into an agreement with the Fire District to fund a fire station and fire trucks. The majority of the funds contributed to the Fire District have been spent on the construction of a fire station and a fire truck.

The developers contributed \$140,000 in 1996, \$100,000 in 1997, \$75,000 in 1998, \$55,000 in 1999 and \$125,000 in 2000. Beaufort County, in return, has contributed the funds received from the developers to Daufuskie Island Fire District. All but \$45,000 from the original agreement have been received, and the collectibility of these funds is uncertain.

Note 12 - Commitments and Contingencies**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 \$3,419 in fiscal year 2000.

Subsequent Event -

Subsequent to the financial statements, an employee who had previously been terminated filed a lawsuit to claim medical expenses for an unreported ankle injury he claimed to have sustained while working at the fire district. It is anticipated that workers' compensation insurance will cover the claim; however, the likelihood of plaintiff success in the lawsuit and the amount of the liability cannot be determined at this point in time.

DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements
June 30, 2000

Note 13 - Changes in General Fixed Assets

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

	<u>Balance</u> <u>June 1, 1999</u>	<u>Plus:</u> <u>Additions</u>	<u>Less:</u> <u>Disposals &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2000</u>
Land	\$ 36,048	\$ -	\$ -	\$ 36,048
Buildings	930,710	-	-	930,710
Furniture & Fixtures	19,773	5,877	-	25,650
Computer Equipment	3,800	2,445	-	6,245
Office Equipment	4,479	-	-	4,479
Motor Vehicles	320,439	529	-	320,968
Fire Fighter Equipment	<u>170,233</u>	<u>16,323</u>	<u>-</u>	<u>186,556</u>
Total	<u>\$1,485,482</u>	<u>\$ 25,174</u>	<u>\$ -</u>	<u>\$ 1,510,656</u>

Chris Morris & Associates, PCCertified Public Accountants

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

P.O. Box 2544
Lilburn, GA 30226-2544
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
Daufuskie Island Fire District
Daufuskie Island, 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, 2000, and have issued our report thereon dated August 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

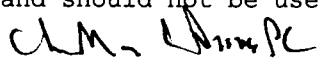
Compliance

As part of obtaining reasonable assurance about whether Daufuskie Island 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Daufuskie Island 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 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, which we have reported to management of Daufuskie Island Fire District in a separate letter dated August 1, 2000.

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


Tucker, GA
August 1, 2000