

DAUFUSKIE ISLAND FIRE DISTRICT

Financial Statements  
for the Year Ended  
June 30, 2001

DAUFUSKIE ISLAND FIRE DISTRICT

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## 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, component unit of Beaufort County, as of and for the year ended June 30, 2001, as listed in the table of contents. 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 auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Daufuskie Island Fire District as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2001, on our consideration of Daufuskie Island Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information listed as 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 general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Ch Morris & Associates PC*

Atlanta, Georgia  
September 24, 2001

**DAUFUSKIE ISLAND FIRE DISTRICT**  
**Combined Balance Sheets**  
**All Fund Types & Account Groups**  
**June 30, 2001**

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Impact	General	General Long-	June 30,	June 30,
				Fixed Assets	Term Debt	2001	2000
<b>Assets:</b>							
Cash	\$161,035	-	-	-	-	\$161,035	\$218,410
Prepaid expense	15,125	-	-	-	-	15,125	1,015
Restricted -							
Cash (Beaufort County)	-	-	36,687	-	-	36,687	12,823
Tax receivable	3,326	386	751	-	-	4,463	6,044
Land	-	-	-	36,048	-	36,048	36,048
Buildings	-	-	-	930,710	-	930,710	930,710
Furniture & fixtures	-	-	-	25,650	-	25,650	25,650
Office equipment	-	-	-	6,280	-	6,280	4,479
Computer equipment	-	-	-	6,245	-	6,245	6,245
General equipment	-	-	-	190,246	-	190,246	186,556
Motor vehicles	-	-	-	353,486	-	353,486	320,968
Amount to be provided for retirement of general long-term debt	-	-	-	-	436,473	436,473	473,991
<b>Total assets</b>	<b>\$179,486</b>	<b>\$386</b>	<b>\$37,438</b>	<b>\$1,548,665</b>	<b>\$436,473</b>	<b>\$2,202,448</b>	<b>\$2,222,939</b>
<b>Liabilities and Fund Equity:</b>							
Excess of outstanding checks over bank balance	9,927	28,561	-	-	-	38,488	91,477
Accounts payable	409	-	-	-	-	409	6,610
Accrued payroll	3,902	-	-	-	-	3,902	5,490
Retirement payable	1,152	-	-	-	-	1,152	944
Payroll tax liability	5,734	-	-	-	-	5,734	4,580
Bonds payable	-	-	-	-	436,473	436,473	473,991
<b>Total liabilities</b>	<b>21,124</b>	<b>28,561</b>	<b>-</b>	<b>-</b>	<b>436,473</b>	<b>486,158</b>	<b>583,092</b>
<b>Commitments</b>							
<b>Fund Equity:</b>							
Investment in general fixed assets	-	-	-	1,548,665	-	1,548,665	1,510,656
Fund balance:							
Reserved for capital projects	-	-	37,438	-	-	37,438	13,574
Unreserved	158,362	(28,175)	-	-	-	130,187	115,617
<b>Total fund equity</b>	<b>158,362</b>	<b>(28,175)</b>	<b>37,438</b>	<b>1,548,665</b>	<b>-</b>	<b>1,716,290</b>	<b>1,639,847</b>
<b>Total liabilities and fund equity</b>	<b>\$179,486</b>	<b>\$386</b>	<b>\$37,438</b>	<b>\$1,548,665</b>	<b>\$436,473</b>	<b>\$2,202,448</b>	<b>\$2,222,939</b>

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, 2001**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Impact	June 30, 2001	June 30, 2000
<b>Revenues:</b>					
Current taxes	\$483,218	\$56,077	--	\$539,295	\$489,108
Homestead exemption	1,304	151	--	1,455	612
Delinquent taxes	32,928	3,593	--	36,521	22,466
Automobile taxes	8,392	1,014	--	9,406	12,280
Penalties	2,790	312	--	3,102	4,147
Motor carrier tax --	500	64	--	564	--
Auto property tax relief	417	48	--	465	--
Interest	5,790	--	732	6,522	6,459
Contributions - Developers	--	--	--	--	125,000
Impact fees	--	--	23,132	23,132	--
Other	6,336	(231)	--	6,105	13,889
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	<b>541,675</b>	<b>61,028</b>	<b>23,864</b>	<b>626,567</b>	<b>673,961</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>					
<b>Current -</b>					
Salaries	303,367	--	--	303,367	282,845
Employee insurance	33,543	--	--	33,543	49,404
Retirement	41,397	--	--	41,397	28,063
Payroll taxes	24,242	--	--	24,242	21,833
Employee medical	1,758	--	--	1,758	1,555
Liability insurance	33,365	--	--	33,365	17,129
Repairs and maintenance	10,107	--	--	10,107	17,024
Utilities	1,617	--	--	1,617	6,889
Fuel and oil	5,831	--	--	5,831	4,499

Tuition, travel, meals and lodging	3,632	--	--	3,632	2,446
Uniforms	4,081	--	--	4,081	1,977
Accounting and legal	12,122	--	--	12,122	9,036
Telephone	3,825	--	--	3,825	3,767
Supplies	3,951	--	--	3,951	4,675
Equipment rental	3,293	--	--	3,293	3,419
Dues and subscriptions	475	--	--	475	798
Other general and administrative	2,091	--	--	2,091	4,091
Capital outlay -					
Current expenditures	38,538	--	--	38,538	25,174
Debt service -					
Principal retirement	--	37,518	--	37,518	35,714
Interest and fiscal charges	--	23,380	--	23,380	25,184
Total expenditures	<u>527,235</u>	<u>60,898</u>	<u>--</u>	<u>588,133</u>	<u>545,522</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	14,440	130	23,864	38,434	128,439
<b>FUND BALANCES, July 1</b>	143,922	(28,305)	13,574	129,191	752
<b>FUND BALANCES, June 30</b>	<u>\$158,362</u>	<u>(\$28,175)</u>	<u>\$37,438</u>	<u>\$167,625</u>	<u>\$129,191</u>

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 - All Governmental Fund Types**

For the Fiscal Year Ended June 30, 2001

	General Fund			Debt Service Fund			Impact Fund		
	Actual	Budget	Variance-Favorable (Unfavorable)	Actual	Budget *	Variance-Favorable (Unfavorable)	Actual	Budget *	Variance-Favorable (Unfavorable)
<b>Revenues:</b>									
Taxes - Beaufort County Treasurer	\$535,885	\$559,750	(\$23,865)	\$61,028	--	\$61,028	--	--	--
Interest	5,790	--	5,790	--	--	--	732	--	732
Contributions	--	--	--	--	--	--	23,132	--	23,132
<b>Total revenues</b>	<b>541,675</b>	<b>559,750</b>	<b>(18,075)</b>	<b>61,028</b>	<b>--</b>	<b>61,028</b>	<b>23,864</b>	<b>--</b>	<b>23,864</b>
<b>Expenditures:</b>									
Current -									
Salaries	303,367	301,830	(1,537)	--	--	--	--	--	--
Employee insurance	33,543	45,800	12,057	--	--	--	--	--	--
Retirement	41,397	31,088	(10,309)	--	--	--	--	--	--
Payroll taxes	24,242	24,070	(172)	--	--	--	--	--	--
Employee medical	1,758	3,000	1,242	--	--	--	--	--	--
Liability insurance	33,365	47,512	14,147	--	--	--	--	--	--
Repairs and maintenance	10,107	17,000	6,893	--	--	--	--	--	--
Utilities	1,617	4,250	2,633	--	--	--	--	--	--
Fuel and oil	5,831	4,500	(1,331)	--	--	--	--	--	--
Tuition, travel, meals and lodging	3,632	5,900	2,268	--	--	--	--	--	--
Uniforms	4,081	4,500	419	--	--	--	--	--	--
Accounting and legal	12,122	8,000	(4,122)	--	--	--	--	--	--
Telephone	3,825	3,500	(325)	--	--	--	--	--	--
Supplies	3,951	4,400	449	--	--	--	--	--	--
Equipment rental	3,293	3,500	207	--	--	--	--	--	--
Dues and subscriptions	475	1,000	525	--	--	--	--	--	--
Other general and administrative	2,091	8,600	6,509	--	--	--	--	--	--
Capital outlay -									
Current expenditures	38,538	41,500	2,962	--	--	--	--	--	--
Debt service -									
Principal retirement	--	--	--	37,518	--	(37,518)	--	--	--
Interest and fiscal charges	--	--	--	23,380	--	(23,380)	--	--	--
<b>Total expenditures</b>	<b>527,235</b>	<b>559,750</b>	<b>32,515</b>	<b>60,898</b>	<b>--</b>	<b>(60,898)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$14,440</b>	<b>--</b>	<b>\$14,440</b>	<b>\$130</b>	<b>--</b>	<b>\$130</b>	<b>\$23,864</b>	<b>--</b>	<b>\$23,864</b>

\* Daufuskie Island Fire District does not prepare a budget for the Debt Service or Impact Funds.

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

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

**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.

Use of Estimates: The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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.



**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

**Note 1 - Summary of Significant Accounting Policies (continued)****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 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 Governmental Fund Statements because their inclusion would make the statement unduly complex and difficult to read.

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

**Note 1 - Summary of Significant Accounting Policies (continued)****G. Budgets and Budgetary Accounting**

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

1. Prior to May 15, the Fire Chief submits to the Fire District Board of Commissioners a proposed operating budget for the general fund, 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 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

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

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

maintained in a restricted cash account by the County and expended for debt servicing on behalf of the Fire District.

**Note 2 - Pension Costs**

The Fire District participates in a State-run defined contribution pension 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 2001 was \$303,367 while contributions were based on a payroll of \$299,846. Daufuskie Island Fire District was required to contribute \$30,884 while the employees contributed \$19,490 for fiscal year 2001.

**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, 2001, 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, 2001, was \$11,839,789. The computation of legal debt limits is as follows:

General obligation debt limit (\$11,839,789 x 8%)	\$ 947,183
General obligation debt at June 30, 2001	<u>436,473</u>
Excess of debt limit over general obligation debt	<u>\$ 510,710</u>

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

**Note 4 - Debt Service Fund (continued)**

A deficit fund balance of \$28,175 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 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.

**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.

\$ 436,473

The General Obligation Bond is with Wachovia Bank of South Carolina, N.A. Their covenants require an annual governmental audit, in accordance with *Government Auditing Standards*, with both a complete report and an internal controls and compliance 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, 2001, 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>
2002	\$ 21,168	\$ 39,730	\$ 60,898
2003	19,238	41,660	60,898
2004	17,212	43,686	60,898
2005	15,090	45,808	60,898
2006	<u>12,863</u>	<u>48,035</u>	<u>60,898</u>
<b>Total over</b> <b>next 5 years</b>	<u>85,571</u>	<u>218,919</u>	<u>304,490</u>
<b>Total require-</b> <b>ments beyond</b> <b>the next 5 years</b> 2007-2010	<u>26,038</u>	<u>217,554</u>	<u>243,592</u>
<b>Total debt</b> <b>requirements</b>	<u>\$111,609</u>	<u>\$436,473</u>	<u>\$548,082</u>

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

**Note 5 - General Long-Term Debt (continued)**

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

	<u>General Long- Term Debt July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>General Long- Term Debt June 30, 2001</u>
<b>Bond</b>	\$ <u>473,991</u>	\$ <u>0</u>	\$ <u>37,518</u>	\$ <u>436,473</u>

**Note 6 - Cash**

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 and uncollateralized cash and money market instruments is \$61,035 as of the balance sheet date.

During the year ended June 30, 2001, 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, 2001.

**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 - Risk Management**

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

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2001

**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.

**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 \$495,000 between 1996 and 2000. Beaufort County, in return, has contributed the funds received from the developers to Daufuskie Island Fire District.

**Note 12 - Commitments****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 \$3,293 in fiscal year 2001, and the final payment of \$3,293 is due in fiscal year 2002.

## DAUFUSKIE ISLAND FIRE DISTRICT

Notes to Financial Statements  
June 30, 2001

## Note 13 - Changes in General Fixed Assets

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

	<u>Balance</u> <u>June 1, 2000</u>	<u>Plus:</u> <u>Additions</u>	<u>Less:</u> <u>Disposals &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 36,048	\$ -	\$ -	\$ 36,048
Buildings	930,710	-	-	930,710
Furniture & Fixtures	25,650	-	-	25,650
Computer Equipment	6,245	-	-	6,245
Office Equipment	4,479	1,801	-	6,280
Motor Vehicles	320,968	33,047	529	353,486
Fire Fighter Equipment	<u>186,556</u>	<u>3,690</u>	<u>-</u>	<u>190,246</u>
<b>Total</b>	<b><u>\$ 1,510,656</u></b>	<b><u>\$ 38,538</u></b>	<b><u>\$ 529</u></b>	<b><u>\$ 1,548,665</u></b>

**Chris Morris & Associates, PC**

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

The Honorable Board of Commissioners  
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, 2001, and have issued our report thereon dated September 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 September 24, 2001.

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



Atlanta, GA  
September 24, 2001