

DAUFUSKIE ISLAND FIRE DISTRICT

Financial Statements  
for the Year Ended  
June 30, 2002

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

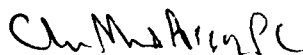
We have audited the accompanying general purpose financial statements of the Daufuskie Island Fire District as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Daufuskie Island Fire District's management. 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, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2002, 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 general purpose 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.



Atlanta, Georgia  
August 2, 2002

**DAUFUSKIE ISLAND FIRE DISTRICT**  
**Combined Balance Sheets**  
**All Fund Types & Account Groups**  
**June 30, 2002**

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Debt Service	Impact	General Fixed Assets	General Long- Term Debt	June 30, 2002	June 30, 2001
<b>Assets:</b>							
Cash	\$91,107	--	--	--	--	\$91,107	\$161,035
Prepaid expense	2,370	--	--	--	--	2,370	15,125
Restricted -							
Cash (Beaufort County)	37,797	--	2,043	--	--	39,840	36,687
Tax receivable	6,063	386	--	--	--	6,449	4,463
Land	--	--	--	36,048	--	36,048	36,048
Buildings	--	--	--	930,710	--	930,710	930,710
Furniture & fixtures	--	--	--	29,197	--	29,197	25,650
Office equipment	--	--	--	7,036	--	7,036	6,280
Computer equipment	--	--	--	6,245	--	6,245	6,245
General equipment	--	--	--	197,518	--	197,518	190,246
Motor vehicles	--	--	--	461,526	--	461,526	353,486
Amount to be provided for retirement of general long-term debt	--	--	--	--	397,097	397,097	436,473
<b>Total assets</b>	<b>\$137,337</b>	<b>\$386</b>	<b>\$2,043</b>	<b>\$1,668,280</b>	<b>\$397,097</b>	<b>\$2,205,143</b>	<b>\$2,202,448</b>
<b>Liabilities and Fund Equity:</b>							
Excess of outstanding checks over bank balance	--	23,120	--	--	--	23,120	38,488
Accounts payable	--	--	--	--	--	--	409
Accrued payroll	9,741	--	--	--	--	9,741	3,902
Retirement payable	--	--	--	--	--	--	1,152
Payroll tax liability	7,836	--	--	--	--	7,836	5,734
Bonds payable	--	--	--	--	397,097	397,097	436,473
<b>Total liabilities</b>	<b>17,577</b>	<b>23,120</b>	<b>--</b>	<b>--</b>	<b>397,097</b>	<b>437,794</b>	<b>486,158</b>
<b>Commitments</b>							
<b>Fund Equity:</b>							
Investment in general fixed assets	--	--	--	1,668,280	--	1,668,280	1,548,665
Fund balance:							
Reserved for capital projects	--	--	2,043	--	--	2,043	37,438
Unreserved	119,760	(22,734)	--	--	--	97,026	130,187
<b>Total fund equity</b>	<b>119,760</b>	<b>(22,734)</b>	<b>2,043</b>	<b>1,668,280</b>	<b>--</b>	<b>1,767,349</b>	<b>1,716,290</b>
<b>Total liabilities and fund equity</b>	<b>\$137,337</b>	<b>\$386</b>	<b>\$2,043</b>	<b>\$1,668,280</b>	<b>\$397,097</b>	<b>\$2,205,143</b>	<b>\$2,202,448</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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Impact	June 30, 2,002	June 30, 2001 *
<b>Revenues:</b>					
Current taxes	\$518,244	\$60,711	--	\$578,955	\$539,295
Homestead exemption	1,478	172	--	1,650	1,455
Delinquent taxes	33,525	3,901	--	37,426	36,521
Automobile taxes	9,530	1,106	--	10,636	9,406
Penalties	2,998	348	--	3,346	3,102
Motor carrier tax	629	73	--	702	564
Auto property tax relief	249	28	--	277	465
Interest	--	--	145	145	6,522
Impact fees	--	--	6,460	6,460	23,132
Other	--	--	--	--	6,105
<b>Total revenues</b>	<b>566,653</b>	<b>66,339</b>	<b>6,605</b>	<b>639,597</b>	<b>626,567</b>
<b>Expenditures:</b>					
<b>Current -</b>					
Salaries	315,657	--	--	315,657	303,367
Employee insurance	63,738	--	--	63,738	44,972
Retirement	30,270	--	--	30,270	29,968
Payroll taxes	25,248	--	--	25,248	24,242
Employee medical	2,368	--	--	2,368	1,758
Liability insurance	22,177	--	--	22,177	33,365
Repairs and maintenance	20,314	--	--	20,314	10,107
Utilities	4,708	--	--	4,708	1,617
Fuel and oil	5,443	--	--	5,443	5,831
Tuition, travel, meals and lodging	4,462	--	--	4,462	3,632
Uniforms	2,750	--	--	2,750	4,081

Accounting and legal	12,682	--	--	12,682	12,122
Telephone	3,526	--	--	3,526	3,825
Supplies	4,277	--	--	4,277	3,951
Equipment rental	3,644	--	--	3,644	3,293
Dues and subscriptions	557	--	--	557	475
Other general and administrative	5,819	--	--	5,819	2,091
Capital outlay -					
Current expenditures	119,615	--	--	119,615	38,538
Debt service -					
Principal retirement	--	39,376	--	39,376	37,518
Interest and fiscal charges	--	21,522	--	21,522	23,380
Total expenditures	647,255	60,898	--	708,153	588,133
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(80,602)</b>	<b>5,441</b>	<b>6,605</b>	<b>(68,556)</b>	<b>38,434</b>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfer in (out)	42,000	--	(42,000)	--	--
Total Other Financing Sources	42,000	--	(42,000)	--	--
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(38,602)</b>	<b>5,441</b>	<b>(35,395)</b>	<b>(68,556)</b>	<b>38,434</b>
<b>FUND BALANCES, July 1</b>	<b>158,362</b>	<b>(28,175)</b>	<b>37,438</b>	<b>167,625</b>	<b>129,191</b>
<b>FUND BALANCES, June 30</b>	<b>\$119,760</b>	<b>(\$22,734)</b>	<b>\$2,043</b>	<b>\$99,069</b>	<b>\$167,625</b>

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

\* Certain items have been reclassified to conform to the 2002 presentation.

**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, 2002**

	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	\$566,653	\$709,615	(\$142,962)	\$66,339	--	\$66,339	--	--	--
Interest	--	--	--	--	--	--	145	--	145
Contributions	--	--	--	--	--	--	6,460	--	6,460
<b>Total revenues</b>	<b>566,653</b>	<b>709,615</b>	<b>(142,962)</b>	<b>66,339</b>	<b>--</b>	<b>66,339</b>	<b>6,605</b>	<b>--</b>	<b>6,605</b>
<b>Expenditures:</b>									
<b>Current -</b>									
Salaries	315,657	355,605	39,948	--	--	--	--	--	--
Employee insurance	63,738	69,904	6,166	--	--	--	--	--	--
Retirement	30,270	36,627	6,357	--	--	--	--	--	--
Payroll taxes	25,248	28,159	2,911	--	--	--	--	--	--
Employee medical	2,368	2,800	432	--	--	--	--	--	--
Liability insurance	22,177	27,500	5,323	--	--	--	--	--	--
Repairs and maintenance	20,314	20,000	(314)	--	--	--	--	--	--
Utilities	4,708	5,400	692	--	--	--	--	--	--
Fuel and oil	5,443	5,100	(343)	--	--	--	--	--	--
Tuition, travel, meals and lodging	4,462	5,005	543	--	--	--	--	--	--
Uniforms	2,750	4,500	1,750	--	--	--	--	--	--
Accounting and legal	12,682	8,000	(4,682)	--	--	--	--	--	--
Telephone	3,526	4,000	474	--	--	--	--	--	--
Supplies	4,277	4,700	423	--	--	--	--	--	--
Equipment rental	3,644	3,500	(144)	--	--	--	--	--	--
Dues and subscriptions	557	800	243	--	--	--	--	--	--
Other general and administrative	5,819	8,400	2,581	--	--	--	--	--	--
<b>Capital outlay -</b>									
Current expenditures	119,615	119,615	--	--	--	--	--	--	--
<b>Debt service -</b>									
Principal retirement	--	--	--	39,376	--	(39,376)	--	--	--
Interest and fiscal charges	--	--	--	21,522	--	(21,522)	--	--	--
<b>Total expenditures</b>	<b>647,255</b>	<b>709,615</b>	<b>62,360</b>	<b>60,898</b>	<b>--</b>	<b>(60,898)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(\$80,602)</b>	<b>--</b>	<b>(\$80,602)</b>	<b>\$5,441</b>	<b>--</b>	<b>\$5,441</b>	<b>\$6,605</b>	<b>--</b>	<b>\$6,605</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, 2002

**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, 2002

**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.

**G. Budgets and Budgetary Accounting**

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

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2002

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

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 would appear to be a component unit of Beaufort County, South Carolina, but Beaufort County does not treat them as such on their financial statements because they deem them to be immaterial. 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, 2002

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

**I. Tax Collection (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 2002 was \$315,657 while contributions were based on a payroll of \$295,376. Daufuskie Island Fire District was required to contribute \$30,270 while the employees contributed \$19,199 for fiscal year 2002.

**Note 3 - Related Party Transactions**

The Fire District is a part of Beaufort County, South Carolina, and 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, 2002, 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, 2002, was \$14,158,867. The computation of legal debt limits is as follows:

General obligation debt limit (\$14,158,867 x 8%)	\$1,132,709
General obligation debt at June 30, 2002	<u>397,097</u>
Excess of debt limit over general obligation debt	<u>\$ 735,612</u>

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2002

**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.

\$ 397,097

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, 2002, 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>
2003	\$ 19,238	\$ 41,660	\$ 60,898
2004	17,212	43,686	60,898
2005	15,090	45,808	60,898
2006	12,863	48,035	60,898
2007	<u>10,529</u>	<u>50,369</u>	<u>60,898</u>
<b>Total over</b> <b>next 5 years</b>	<u>74,932</u>	<u>229,558</u>	<u>304,490</u>
<b>Total require-</b> <b>ments beyond</b> <b>the next 5 years</b> 2008-2010	<u>15,509</u>	<u>167,185</u>	<u>182,694</u>
<b>Total debt</b> <b>requirements</b>	<u>\$ 90,441</u>	<u>\$396,743</u>	<u>\$487,184</u>

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

	<u>General Long-</u> <u>Term Debt</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>General Long-</u> <u>Term Debt</u> <u>June 30, 2002</u>
Bond	<u>\$ 436,473</u>	<u>\$ 0</u>	<u>\$ 39,376</u>	<u>\$ 397,097</u>

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2002

**Note 6 - Cash**

During the year ended June 30, 2002, 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, 2002.

**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.

**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.

**DAUFUSKIE ISLAND FIRE DISTRICT**

Notes to Financial Statements  
June 30, 2002

**Note 11 - Contributions from Local Businesses (continued)**

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 equipment under operating leases. Total rental expense for leases amounted to \$3,644 in fiscal year 2002.

The rental is \$283 per month and covers a five year period ending in July 2004.

**Note 13 - Changes in General Fixed Assets**

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

	<u>Balance</u> <u>June 1, 2001</u>	<u>Plus:</u> <u>Additions</u>	<u>Less:</u> <u>Disposals &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2002</u>
Land	\$ 36,048	\$ -	\$ -	\$ 36,048
Buildings	930,710	-	-	930,710
Furniture & Fixtures	25,650	3,547	-	29,197
Computer Equipment	6,245	-	-	6,245
Office Equipment	6,280	756	-	7,036
Motor Vehicles	353,486	108,040	-	461,526
Fire Fighter Equipment	<u>190,246</u>	<u>7,272</u>	<u>-</u>	<u>197,518</u>
<b>Total</b>	<b><u>\$ 1,548,665</u></b>	<b><u>\$ 119,615</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,668,280</u></b>

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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, 2002, and have issued our report thereon dated August 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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, 2002.

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



Atlanta, GA  
August 2, 2002