

SHELDON TOWNSHIP FIRE DISTRICT  
ANNUAL AUDIT REPORT  
FOR YEAR ENDED JUNE 30, 1992

SHELDON TOWNSHIP FIRE DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 1992

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sheldon Township Fire District  
Sheldon, South Carolina

We have audited the accompanying general purpose financial statements of the Sheldon Township Fire District, South Carolina, as of June 30, 1992, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Sheldon Township 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 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 Sheldon Township Fire District, South Carolina, as of June 30, 1992, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Mims, Trask, Mellen, Hazel & Co.*

Mims, Trask, Mellen, Hazel & Co., P.A.

October 21, 1992

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types		
	General Fund	Debt Service Fund	Capital Project Fund
<b>ASSETS</b>			
Cash-Unrestricted	\$ 24,387	\$	\$
Due from Beaufort County	41,263	15,671	30,193
Property Tax Receivable	23,163	2,859	
Prepaid Insurance	1,822		
Amount available in Debt Service Fund			
Amounts to be provided for retirement of general long term debt			
Land and Buildings			
Vehicles			
Fire Fighting Equipment			
Well			
Construction in Progress			
<b>TOTAL ASSETS</b>	<b>\$ 90,635</b>	<b>\$ 18,530</b>	<b>\$ 30,193</b>
 <b>LIABILITIES &amp; FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts Payable	\$	\$	\$
Accrued Federal & State Withholding	1,562		
Accrued Retirement	815		
<b>Notes Payable:</b>			
South Carolina National			
South Carolina Federal			
Compensated Absences			
<b>Total Liabilities</b>	<b>2,377</b>	<b>-0-</b>	<b>-0-</b>
 <b>Fund Balance:</b>			
Investment in Fixed Assets			
<b>Fund Balances</b>			
Unreserved	88,258		
Reserved		18,530	30,193
<b>Total Fund Balance</b>	<b>88,258</b>	<b>18,530</b>	<b>30,193</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 90,635</b>	<b>\$ 18,530</b>	<b>\$ 30,193</b>

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS

Account Groups		Totals (Memorandum Only)
General Fixed Assets	General Long-Term Debt	
\$	\$	\$ 24,387
		87,127
		26,022
		1,822
	18,530	18,530
	57,758	57,758
70,013		70,013
184,232		184,232
153,618		153,618
527		527
12,000		12,000
<u>\$420,390</u>	<u>\$ 76,288</u>	<u>\$ 636,036</u>
\$	\$	\$
		1,562
		815
	20,060	20,060
	55,000	55,000
	1,228	1,228
<u>-0-</u>	<u>76,288</u>	<u>78,665</u>
420,390		420,390
-0-	-0-	88,258
-0-	-0-	48,723
<u>420,390</u>	<u>-0-</u>	<u>557,371</u>
<u>\$420,390</u>	<u>\$ 76,288</u>	<u>\$ 636,036</u>

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES  
 IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1992

<u>Revenues</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
Taxes	\$156,653	\$17,863
Interest	2,410	253
Contributions	9,883	
Penalties	3,810	414
Merchants Inventory	253	
Miscellaneous	-0-	
Cash Carry Forward	-0-	
Total Revenue	<u>173,009</u>	<u>18,530</u>
<u>Expenditures</u>		
Salaries and Wages	61,506	
Retirement	6,344	
Payroll Taxes	5,490	
Insurance	10,978	
Office Supplies	853	
Utilities	4,023	
Building Maintenance	2,055	
Vehicle Maintenance	12,367	
Equipment Maintenance	3,016	
Fire Fighting Equipment	4,501	
Miscellaneous Supplies	2,685	
Miscellaneous Firefighting Supplies	1,130	
Miscellaneous Chief Supplies	291	
Travel & Training	910	
Postage	127	
Administrative Cost	2,171	
Debt Service - Principal	4,940	
Debt Service - Interest	1,314	
Capital Outlay	84,217	
Total Expenditures	<u>208,918</u>	<u>-0-</u>
Excess of Revenues Over (Under)		
Expenditures	( 35,909)	18,530
Other Financing Sources (Uses)-Bank Loan	<u>55,000</u>	<u>-0-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	19,091	18,530
Fund Balance, Beginning of Year (Restated)	<u>69,167</u>	<u>-0-</u>
Fund Balance, End of Year	<u>\$ 88,258</u>	<u>\$18,530</u>

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES  
 IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1992

Capital Projects <u>Fund</u>	Totals (Memorandum Only) <u>          </u>
\$	\$ 174,516
193	2,856
36,000	45,883
	4,224
	253
	-0-
	-0-
<u>36,193</u>	<u>227,732</u>
	61,506
	6,344
	5,490
	10,978
	853
	4,023
	2,055
	12,367
	3,016
	4,501
	2,685
	1,130
	291
	910
	127
	2,171
	4,940
	1,314
<u>6,000</u>	<u>90,217</u>
<u>6,000</u>	<u>214,918</u>
30,193	12,814
<u>-0-</u>	<u>55,000</u>
30,193	67,814
<u>-0-</u>	<u>69,167</u>
<u>\$ 30,193</u>	<u>\$ 136,981</u>

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1992

	<u>General Fund</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 141,750	\$ 156,653	\$ 14,903
Interest	-0-	2,410	2,410
Private Contributions	9,883	9,883	-0-
Penalties	-0-	3,810	3,810
Merchants Inventory	-0-	253	253
Miscellaneous	1,000	-0-	( 1,000)
Cash Carryforward	3,250	-0-	( 3,250)
<b>Total Revenue</b>	<u>155,883</u>	<u>173,009</u>	<u>17,126</u>
<b>Expenditures:</b>			
Salaries and Wages	65,000	61,506	3,494
Retirement	6,400	6,344	56
Payroll Taxes	17,100	5,490	11,610
Insurance	18,000	10,978	7,022
Office Supplies	1,500	853	647
Utilities	7,000	4,023	2,977
Building Maintenance	2,300	2,055	245
Vehicle Maintenance	4,300	12,367	( 8,067)
Equipment Maintenance	5,000	3,016	1,984
Fire Fighting Equip	8,000	4,501	3,499
Miscellaneous Supplies	200	2,685	( 2,485)
Misc Firefighting Supplies	500	1,130	( 630)
Miscellaneous Chief Supplies	300	291	9
Travel & Training	500	910	( 410)
Postage	300	127	173
Administrative Cost	800	2,171	( 1,371)
Debt Service - Principal	8,800	4,940	3,860
Interest	-0-	1,314	( 1,314)
Capital Outlay	64,883	84,217	( 19,334)
<b>Total Expenditures</b>	<u>210,883</u>	<u>208,918</u>	<u>1,965</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ ( 55,000)</b>	<b>( 35,909)</b>	<b>\$ 19,091</b>

See Accompanying Notes and Accountants' Report.



SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1992

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>General Fund</u>	
Other Financing Sources (Uses) -			
Bank Loan	<u>55,000</u>	<u>55,000</u>	<u>-0-</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -0-</u>	19,091	<u>\$ 19,091</u>
Fund Balance, Beginning of Year (Restated)		<u>69,167</u>	
Fund Balance, End of Year		<u>\$ 88,258</u>	

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1992

	<u>Debt Service Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 17,550	\$ 17,863	\$ 313
Penalties	-0-	414	414
Interest	-0-	253	253
Total Revenue	<u>17,550</u>	<u>18,530</u>	<u>980</u>
Expenditures:			
Total Expenditures	<u>17,200</u>	<u>-0-</u>	<u>17,200</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 350</u>	18,530	<u>\$ 18,180</u>
Fund Balance, Beginning of Year		<u>-0-</u>	
Fund Balance, End of Year		<u>\$ 18,530</u>	

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1992

<u>Capital Projects Fund</u>			Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Contributions from			
Beaufort County	\$ 36,000	\$ 36,000	\$ -0-
Interest	-0-	193	193
Total Revenue	<u>36,000</u>	<u>36,193</u>	<u>193</u>
<b>Expenditures:</b>			
Building	<u>6,000</u>	<u>6,000</u>	<u>-0-</u>
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>-0-</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 30,000</u>	30,193	<u>\$ 193</u>
Fund Balance, Beginning of Year		<u>-0-</u>	
Fund Balance, End of Year		<u>\$ 30,193</u>	

See Accompanying Notes and Accountants' Report.

SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1992

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Sheldon Township Fire District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1.      Basis of Presentation - Fund Accounting

The accounts of the Sheldon Township Fire District are organized and operated on a fund basis. A fund is an independent fiscal accounting entity with a self-balancing set of accounts recording its expenditures. The minimum number of funds are maintained consistent with the requirements of the law.

The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Sheldon Township Fire District.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Lady's Sheldon Township Fire District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for the financing and construction of a new fire station.

Account Groups

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the Fire District.

General Long-Term Debt Account Group - This group of accounts is established to account for all long-term obligations of the Fire District except those which are accounted for in its proprietary type funds. Long-term liabilities expected to be repaid from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1992

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Cont'd

2.      Basis of Accounting

The Fire District maintains the modified accrual method of accounting. Under the modified accrual method, revenues are recognized when measurable and available. Expenditures are recorded when incurred. Capital expenditures and payments of principal on long-term debt are considered to be expenditures when paid.

3.      Fixed Assets

General fixed assets are recorded at original cost or appraised value for donated assets. No depreciation has been recorded on general fixed assets and interest is not capitalized.

4.      Long-Term Debt

Long-term debt for the General Fund is included in the Long-term Debt Account Group.

5.      Fund Balance

The amounts shown in the fund balance section of the Balance Sheet reflects fund balance as defined by "generally accepted accounting principles" in NCGA Statement #1.

6.      Total (Memorandum Only) Columns

In the accompanying financial statements, the "Total (Memorandum Only)" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis.

NOTE B      RELATED PARTY TRANSACTIONS:

The Fire District has a related party transaction with Beaufort County, South Carolina because it receives the major portion of its revenues through property taxes assessed by Beaufort County.

The Fire District had a related party transaction with board member Wayne Blankenship as a result of the fact Wayne Blankenship Land Development Company was among four companies

SHELDON TOWNSHIP FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 1992

NOTE B RELATED PARTY TRANSACTIONS: Cont'd

to submit bids for the installation of dry hydrants. The Fire District voted to award the contract to Wayne Blankenship Land Development Company as the lowest bidder with the proper equipment. Mr. Blankenship did not participate in this vote. The amount of the contract was \$9,600.

NOTE C LONG-TERM DEBT:

Notes payable at June 30, 1992, consisted of the following:

\$20,000, South Carolina National Bank, interest rate 8.50%, \$5,000 due annually in January over a period of 4 years.

\$55,000, South Carolina Federal, interest rate cap of 12.5% and floor of 5%, due annually in November over a period of 5 years. Loan was to purchase fire truck costing \$55,000. The fire truck is pledged as collateral on the loan.

Changes in Long-Term Debt:

	Balance June 30, <u>1991</u>	<u>Additions</u>	<u>Payments</u>	Balance June 30, <u>1992</u>
SC National Note Payable	\$ 25,000	\$ -0-	\$ 4,940	\$ 20,060
SC Federal Note Payable	-0-	55,000	-0-	55,000
Liability for Compensated Absences	<u>-0-</u>	<u>1,228</u>	<u>-0-</u>	<u>1,228</u>
	<u>\$ 25,000</u>	<u>\$ 56,228</u>	<u>\$ 4,940</u>	<u>\$ 76,288</u>

The total requirements to pay the notes payable as of 6-30-92, excluding interest payments, are as follows:

<u>Year ended June 30</u>	<u>Total Requirements</u>
1993	\$ 16,000
1994	16,000
1995	16,000
1996	16,060
1997	<u>11,000</u>
	<u>\$ 75,060</u>

SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1992

NOTE D HISTORY:

The Fire District was established on August 24, 1977, for the purpose of providing fire protection for the residents of Sheldon and surrounding areas.

NOTE E ACCRUED COMPENSATED ABSENCES:

Regular employees who are separated from the Fire District will be paid for all accrued unused vacation hours. The Fire District has no financial liability for its unused sick leave.

The accumulated unpaid vacation earned, but not taken as of June 30, 1992 totaled \$1,228, based on the number of hours earned but not taken, computed at each employee's pay rate.

NOTE F PENSION PLAN OBLIGATIONS

Substantially all, Fire District full time, permanent employees are required by law to participate in statewide, multiple-employer public employee retirement systems (PERS). Generally, all employees, with the exception of law enforcement personnel and limited others, participate in the South Carolina Retirement System (SCRS). Law enforcement personnel and fire fighting employees participate in the South Carolina Police Officers Retirement System (SCPORS). Both are cost-sharing multiple employer PERS.

A summary of plan contribution rates and retirement consideration follows:

<u>CONTRIBUTION INFORMATION:</u>	<u>SCPORS</u>
Total Current Year Payroll	\$ 61,506
Covered Payroll	61,506
Employee Contributions	3,998
Employee Contribution Rate (based upon salary)	6.5
Employer Contributions	6,433
Employer Contribution Rate (based upon salary)	10.3

RETIREMENT BENEFITS: - Retirement benefits of participants in the SCRS and the SCPORS are determined as follows:

SHELDON TOWNSHIP FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 1992

NOTE F PENSION PLAN OBLIGATIONS (Cont'd)

SCRS - The retirement benefit at age 65 is generally determined by the following formula:

- (1) Average the 12 highest consecutive quarters of salary
- (2) Multiply the amount by 1.82%
- (3) Add the total of the above (2) steps and multiply times the number of years of credited service.

SCPORS - The retirement benefit at age 55 is generally determined consistent with the aforementioned SCRS formula; except that the average salary is multiplied by 2.14%.

Benefit provisions are established under the authority of Title 9 of the SC code of laws. Both employees and employers are required to contribute to the plan at rates established under authority of Title 9 of the Code of Laws.

STATEWIDE PLAN ACTUARIAL INFORMATION - As of July 1, 1991, the following statewide plan actuarial information is provided:

	(amounts in millions)	
	<u>SCRS</u>	<u>SCPORS</u>
Pension benefit obligation	\$ 10,596.3	\$ 920.6
Amortized cost of assets available	<u>7,612.9</u>	<u>765.6</u>
Unfunded Pension Benefit Obligation	<u>\$ 2,983.4</u>	<u>\$ 155.0</u>

The total actual contributions for all employees for the year ended June 30, 1991 are:

	(amounts in millions)	
	<u>SCRS</u>	<u>SCPORS</u>
Employee contributions	\$ 233.2	\$ 26.6
Employer contributions	286.8	43.2

Actuarially determined contribution requirements are equal to the actual contributions made to the systems.

The present value of prospective benefits payable is a measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited benefits, is intended to help users assess the system funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems.



SHELDON TOWNSHIP FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 1992

NOTE F PENSION PLAN OBLIGATIONS (Cont'd)

The system does not make separate measurements of assets and benefits payable for individual employers. The Fire District's 1992 contribution represented less than .001% of total contributions to the systems. Retirement costs are funded as accrued to the state system.

Ten year historical trend information is available in the CAFR issued annually by the SC retirement system.

NOTE G PROPERTY AND EQUIPMENT:

1. Changes in General Fixed Assets - as more fully explained in Note A, the Fire District records its property and equipment at cost. During the year ended June 30, 1992, the following changes in general fixed assets occurred:

	Balance July 1, <u>1991</u>	<u>Additions</u>	<u>Adjustments &amp; Retirements</u>	Balance June 30, <u>1992</u>
Land and Bldgs	\$ 70,013	\$	\$	\$ 70,013
Vehicles	129,232	55,000		184,232
Fire Fighting Equip	130,400	23,218		153,618
Well	527			527
Construction- In-Progress	<u>-0-</u>	<u>12,000</u>	<u>-0-</u>	<u>12,000</u>
	<u>\$330,172</u>	<u>\$ 90,218</u>	<u>\$ -0-</u>	<u>\$ 430,390</u>

NOTE H FUND BALANCE - RESTATED

The General Fund balance at June 30, 1991 was restated to move the liability for Note Payable to South Carolina National to the General Long-term Debt Group.

Fund Balance 6-30-91	\$ 44,167
Note Payable-SCN 6-30-91	<u>25,000</u>
Fund Balance - Restated	<u>\$ 69,167</u>

SHELDON TOWNSHIP FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 1992

NOTE I      BUDGETS AND BUDGETARY ACCOUNTING:

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

1. Prior to May 1, the commission submits to the County Council a proposed operating budget for its General Fund for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the County levies taxes to meet the approved expenditures.
2. Public hearings are conducted to obtain taxpayer comments as required by Section 4-9-130 of the South Carolina statutes.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Treasurer is authorized to transfer budgeted amounts between accounts within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the County Council. It is unlawful to expend or contract for an expenditure in any fiscal year more than the amount budgeted in each fund pursuant to Section 4-9-140 of the South Carolina statutes.
5. Revenues in excess of the current budget ordinance may be expended as directed by the revenue source or for the express purpose for which the funds were generated without further approval by the County Council. The following is a reconciliation of the approved budgets to the budgets included in the financial statements.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Budget approved by			
Beaufort County	\$146,000	\$ 17,550	\$    -0-
Contributions	9,883	-0-	36,000
Other Financing Sources			
Bank Loan	<u>55,000</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$210,883</u>	<u>\$ 17,550</u>	<u>\$ 36,000</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Sheldon Township Fire District  
Sheldon, South Carolina

We have audited the general purpose financial statements of Sheldon Township Fire District, South Carolina, for the year ended June 30, 1992, and have issued our report thereon dated October 21, 1992.

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.

In planning and performing our audit of the general purpose financial statements of Sheldon Township Fire District, South Carolina, for the year ended June 30, 1992, we considered its internal control structure 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 structure.

The management of Sheldon Township 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 financial statements in accordance with generally accepted accounting principles. 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Accounting Applications
  - Cash Receipts
  - Purchasing
  - Accounts Payable
  - Cash Disbursements
  - Payroll
  - Property and Equipment
  - General Ledger

For all of the control categories listed above, 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Following is a summary of reportable conditions:

1. The Fire District does not maintain fixed asset records for its general fund. We recommend that the Fire District consider establishing an inventory of existing fixed assets as well as procedures for maintaining records for future acquisitions.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Sheldon Township Fire District and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Mims, Trask, Mellen, Hazel & Co.*

Mims, Trask, Mellen, Hazel & Co., P.A.

October 21, 1992

**COMPLIANCE REPORT BASED ON AN AUDIT OF GENERAL  
PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the general purpose financial statements of Sheldon Township Fire District, South Carolina, as of and for the year ended June 30, 1992, and have issued our report thereon dated October 21, 1992.

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.

Compliance with laws, regulations, contracts, and grants applicable to Sheldon Township Fire District, South Carolina, is the responsibility of Sheldon Township Fire District, South Carolina, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Fire District's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that with respect to the items tested, Sheldon Township Fire District, South Carolina complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Fire District had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Mims, Trask, Mellen, Hazel & Co.*  
Mims, Trask, Mellen, Hazel & Company, P.A.

October 21, 1992