

SHELDON TOWNSHIP FIRE DISTRICT
ANNUAL AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1995

ISSUED BY

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SHELDON TOWNSHIP FIRE DISTRICT
ANNUAL AUDIT REPORT
FOR YEAR ENDED JUNE 30, 1995

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MIMS, MELLEN, HAZEL & CO., P.A.

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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 as of June 30, 1995, 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 as of June 30, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

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

October 13, 1995

SHELDON TOWNSHIP FIRE DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNTS GROUPS
 JUNE 30, 1995

	GOVERNMENTAL FUND TYPES		ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	DEBT SERVICE FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ASSETS					
Cash - Unrestricted	\$ 1,195	\$ -0-	\$ -0-	\$ -0-	\$ 1,195
Due from Beaufort County	49,374	25,636	-0-	-0-	75,010
Property Tax Receivable	2,972	288	-0-	-0-	3,260
Amount Available in Debt Service Fund	-0-	-0-	-0-	25,924	25,924
Amount to be Provided for Retirement of Long-Term Debt	-0-	-0-	-0-	112,269	112,269
Property and Equipment	-0-	-0-	594,817	-0-	594,817
TOTAL ASSETS	\$ 53,541	\$ 25,924	\$ 594,817	\$ 138,193	\$ 812,475
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued Payroll Taxes	\$ 4,013	\$ -0-	\$ -0-	\$ -0-	\$ 4,013
Other Payroll Withholding	77	-0-	-0-	-0-	77
Accrued Retirement Payable	1,740	-0-	-0-	-0-	1,740
Notes Payable	-0-	-0-	-0-	138,193	138,193
Total Liabilities	5,830	-0-	-0-	138,193	144,023
Fund Balances					
Investment in General Fixed Assets	-0-	-0-	594,817	-0-	594,817
Designated	-0-	25,924	-0-	-0-	25,924
Undesignated	47,711	-0-	-0-	-0-	47,711
Total Fund Balances	47,711	25,924	594,817	-0-	668,452
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,541	\$ 25,924	\$ 594,817	\$ 138,193	\$ 812,475

See accompanying notes and accountants' report.

SHELDON TOWNSHIP FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1995

	GOVERNMENTAL FUND TYPES			
	GENERAL	DEBT	CAPITAL	TOTALS
	FUND	SERVICE FUND	PROJECTS FUND	(MEMORANDUM ONLY)
REVENUES				
Taxes	\$ 242,966	\$ 23,938	\$ -0-	\$ 266,904
Interest	1,483	-0-	-0-	1,483
Penalties	2,297	238	-0-	2,535
Merchants Inventory	253	-0-	-0-	253
Contributions	500	-0-	-0-	500
Miscellaneous	1,617	-0-	-0-	1,617
Total Revenues	<u>249,116</u>	<u>24,176</u>	<u>-0-</u>	<u>273,292</u>
EXPENDITURES				
Salaries and Wages	143,262	-0-	-0-	143,262
Retirement	15,083	-0-	-0-	15,083
Payroll Taxes	13,174	-0-	-0-	13,174
Insurance	23,861	-0-	-0-	23,861
Office Supplies	529	-0-	-0-	529
Utilities	7,729	-0-	-0-	7,729
Building Maintenance	4,669	-0-	-0-	4,669
Vehicle Maintenance	4,507	-0-	-0-	4,507
Equipment Maintenance	17,597	-0-	-0-	17,597
Fire Fighting Equipment	969	-0-	-0-	969
Supplies	1,876	-0-	-0-	1,876
Uniforms	1,483	-0-	-0-	1,483
Travel and Training	747	-0-	-0-	747
Postage	251	-0-	-0-	251
Administrative Cost	3,591	-0-	-0-	3,591
Debt Service - Principal	-0-	32,371	-0-	32,371
Debt Service - Interest	-0-	5,799	-0-	5,799
Miscellaneous	-0-	-0-	128	128
Capital Outlay	8,978	-0-	-0-	8,978
Total Expenditures	<u>248,306</u>	<u>38,170</u>	<u>128</u>	<u>286,604</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>810</u>	<u>(13,994)</u>	<u>(128)</u>	<u>(13,312)</u>
OTHER FINANCING SOURCES (USES)				
Bank Loan	-0-	-0-	-0-	-0-
Transfers	<u>(36,000)</u>	<u>36,000</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(36,000)</u>	<u>36,000</u>	<u>-0-</u>	<u>-0-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(35,190)</u>	<u>22,006</u>	<u>(128)</u>	<u>(13,312)</u>
Fund Balances, Beginning of Year	82,901	3,918	128	86,947
Fund Balances, End of Year	<u>\$ 47,711</u>	<u>\$ 25,924</u>	<u>\$ -0-</u>	<u>\$ 73,635</u>

See accompanying notes and accountants' report.

SHELDON TOWNSHIP FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1995

	GENERAL FUND			DEBT SERVICE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 231,495	\$ 242,966	\$ 11,471	\$ 58,300	\$ 23,938	\$(34,362)
Interest	-0-	1,483	1,483	-0-	-0-	-0-
Penalties	-0-	2,297	2,297	-0-	238	238
Merchants Inventory	-0-	253	253	-0-	-0-	-0-
Donations	-0-	500	500	-0-	-0-	-0-
Contributions	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	1,617	1,617	-0-	-0-	-0-
Total Revenues	<u>231,495</u>	<u>249,116</u>	<u>17,621</u>	<u>58,300</u>	<u>24,176</u>	<u>(34,124)</u>
EXPENDITURES						
Salaries and Wages	139,900	143,262	(3,362)	-0-	-0-	-0-
Retirement	12,500	15,083	(2,583)	-0-	-0-	-0-
Payroll Taxes	11,100	13,174	(2,074)	-0-	-0-	-0-
Insurance	21,191	23,861	(2,670)	-0-	-0-	-0-
Office Supplies	484	529	(45)	-0-	-0-	-0-
Utilities	10,000	7,729	2,271	-0-	-0-	-0-
Building Maintenance	2,166	4,669	(2,503)	-0-	-0-	-0-
Vehicle Maintenance	7,300	4,507	2,793	-0-	-0-	-0-
Equipment Maintenance	10,530	17,597	(7,067)	-0-	-0-	-0-
Fire Fighting Equipment	6,250	969	5,281	-0-	-0-	-0-
Supplies	2,000	1,876	124	-0-	-0-	-0-
Firefighting Supplies	250	-0-	250	-0-	-0-	-0-
Uniforms	1,750	1,483	267	-0-	-0-	-0-
Travel and Training	1,100	747	353	-0-	-0-	-0-
Postage	300	251	49	-0-	-0-	-0-
Administrative Cost	4,674	3,591	1,083	-0-	-0-	-0-
Debt Service - Principal	-0-	-0-	-0-	52,501	32,371	20,130
Debt Service - Interest	-0-	-0-	-0-	5,799	5,799	-0-
Capital Outlay	-0-	8,978	(8,978)	-0-	-0-	-0-
Total Expenditures	<u>231,495</u>	<u>248,306</u>	<u>(16,811)</u>	<u>58,300</u>	<u>38,170</u>	<u>20,130</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ -0-	\$ 810	\$ 810	\$ -0-	\$(13,994)	\$(13,994)

See accompanying notes and accountants' report.

SHELDON TOWNSHIP FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1995

	<u>GENERAL FUND</u>			<u>DEBT SERVICE FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES)						
Bank Loan	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Transfers	-0-	(36,000)	(36,000)	-0-	36,000	36,000
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>(36,000)</u>	<u>(36,000)</u>	<u>-0-</u>	<u>36,000</u>	<u>36,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -0-</u>	<u>(35,190)</u>	<u>\$(35,190)</u>	<u>\$ -0-</u>	<u>22,006</u>	<u>\$ 22,006</u>
Fund Balance, Beginning of Year		82,901			3,918	
Fund Balance, End of Year		<u>\$ 47,711</u>			<u>\$ 25,924</u>	

See accompanying notes and accountants' report.

SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1995

NOTE 1 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:

A. 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.

1. Governmental Funds

General Fund - The General Fund is the general operating fund of the 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.

2. Account Groups

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

General Long-Term Debt Account Group - This group of accounts is established to account for all long-term obligations of the Sheldon Township Fire District. 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.

B. BASIS OF ACCOUNTING

The Sheldon Township 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 and interest on long-term debt are considered to be expenditures when paid.

C. 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.

D. LONG-TERM DEBT

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

E. FUND BALANCES

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.

F. TOTALS (MEMORANDUM ONLY) COLUMNS

In the accompanying financial statements, the "Totals (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.

SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1995

NOTE 2 RELATED PARTY TRANSACTIONS

The Sheldon Township 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.

NOTE 3 LONG-TERM DEBT

Notes payable at June 30, 1995, consisted of the following:

	<u>BALANCE</u>
(1) \$55,000, First Union, interest rate cap of 2.5% and floor of 5%, due annually in November over a period of 5 years. Loan was to purchase fire truck at a cost \$55,000. The fire truck is pledged as collateral on the loan.	\$ 22,000
(2) \$109,702, Community Bank of South Carolina, interest at a rate of 5.29% due July 1, with principal payment of \$18,000 due each July 1, interest adjusted annually at maturity.	71,604
(3) \$52,020, Community Bank of South Carolina, interest at a rate of 5.1% with principal payment of \$10,700 due each January, interest adjusted annually at maturity.	<u>44,589</u>
Total	<u>\$ 138,193</u>

Changes in Long-Term Debt:

	<u>Balance June 30, 1994</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 1995</u>
Wachovia Note Payable	\$ 10,060	\$ -0-	\$ 10,060	\$ -0-
First Union Note Payable	33,000	-0-	11,000	22,000
Community Bank of South Carolina	71,604	-0-	-0-	71,604
Community Bank of South Carolina	<u>52,020</u>	<u>-0-</u>	<u>7,431</u>	<u>44,589</u>
Total	<u>\$ 166,684</u>	<u>\$ -0-</u>	<u>\$ 28,491</u>	<u>\$ 138,193</u>

The total requirements to pay the notes payable as of June 30, 1995, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 57,700	\$ 2,885	\$ 60,585
1997	57,304	2,865	60,169
1998	10,700	600	11,300
1999	10,700	600	11,300
2000 - Thereafter	1,789	90	1,879
Total	<u>\$ 138,193</u>	<u>\$ 7,040</u>	<u>\$ 145,233</u>

NOTE 4 HISTORY

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

NOTE 5 ACCRUED COMPENSATED ABSENCES

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

No provision for compensated absences has been recorded. The amount is insignificant to the overall financial statements.

SHELDON TOWNSHIP FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1995

NOTE 6 PENSION PLAN OBLIGATION

Substantially all 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 certain other 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	\$ 144,709
Covered Payroll	138,337
Employee Contributions	8,886
Employee Contribution Rate (based upon salary)	6.5%
Employer Contributions	14,274
Employer Contribution Rate (based upon salary)	10.3%

RETIREMENT BENEFITS:

SCPORS - Retirement benefits of participants in the SCPORS are determined as follows:

- (1) Average the 12 highest consecutive quarters of salary
- (2) Multiply the amount by 2.14%
- (3) Add the total of the above (2) steps and multiply times the number of years of credited service

Benefit provisions are established under the authority of Title 9 of the South Carolina 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, 1994, the following statewide plan actuarial information is provided:

	(amounts in millions)
	<u>SCPORS</u>
Pension benefit obligation	\$ 1,284.2
Amortized cost of assets available	1,096.5
Unfunded Pension Benefit Obligation	<u>\$ 187.7</u>

The total actual contributions for all employees for the year ended June 30, 1994 are:

	(amounts in millions)
	<u>SCPORS</u>
Employee contributions	\$ 31.5
Employer contributions	47.9

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.

The system does not make separate measurements of assets and benefits payable for individual employers. The Sheldon Township Fire District's 1995 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 South Carolina Retirement System.

SHELDON TOWNSHIP FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1995

NOTE 7 PROPERTY AND EQUIPMENT

Changes in General Fixed Assets - As more fully explained in Note 1, the Sheldon Township Fire District records its property and equipment at cost. During the year ended June 30, 1995, the following changes in general fixed assets occurred:

	<u>Balance</u> <u>June 30, 1994</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 1995</u>
Land and Buildings	\$ 191,715	\$	\$	\$ 191,715
Vehicles	237,032			237,032
Office Equipment	-0-	517		517
Fire Fighting Equipment	156,565	8,461		165,026
Well	<u>527</u>			<u>527</u>
Total	<u>\$ 585,839</u>	<u>\$ 8,978</u>	<u>\$ -0-</u>	<u>\$ 594,817</u>

NOTE 8 BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to May 1, the commission submits to the Beaufort 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.
- B. Public hearings are conducted to obtain taxpayer comments as required by Section 4-9-30 of the South Carolina statutes.
- C. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- D. 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 4-9-40 of the South Carolina statutes.
- E. 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.

NOTE 9 CASH

The Sheldon Township Fire District maintains cash balances in a local bank and is fully covered by FDIC insurance.

NOTE 10 DESIGNATED FUND BALANCE

The designated fund balance in the debt service fund is for the payment of principal and interest on long-term debt.

COMPLIANCE SECTION

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 for the year ended June 30, 1995, and have issued our report thereon dated October 13, 1995.

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

The management of Sheldon Township Fire District 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.

In planning and performing our audit of the general purpose financial statements of Sheldon Township Fire District for the year ended June 30, 1995, 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.

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 Sheldon Township Fire District does not maintain fixed asset records for its general fund. We recommend that the Sheldon Township Fire District consider establishing an inventory of existing fixed assets as well as procedures for maintaining records for future acquisitions.
2. The Sheldon Township Fire District paid some vendor statements and invoices on separate occasions which could lead to duplication of payment. We recommend that all statements be matched to the invoices before payment. All statements should be accompanied by the invoice that is being paid and canceled accordingly.
3. Due to the small size of the organization, there is inadequate segregation of duties. However, the Sheldon Township Fire District is doing the best it can given its limited resources.
4. The Sheldon Township Fire District does not prepare a cash receipts journal identifying the source of receipts. We recommend that a cash receipts journal be prepared.
5. The Sheldon Township Fire District does not reconcile the cash disbursements journal and a cash receipts journal to the bank. We recommend that this be done monthly when the bank reconciliation is prepared.
6. We noted that the payroll journal did not correspond to the actual amounts paid to the employees. The payroll journal should record the gross amount paid to employees and all deductions from the gross pay.
7. We noted that on several occasions the retirement contributions were not remitted timely to the state retirement fund. As a result, the Sheldon Township Fire District incurred and paid late penalty payments. We recommend that the retirement contribution amounts be mailed in a timely manner so as to avoid any late penalties.
8. We noted that quarterly payroll reports were not prepared properly resulting in overpayments of taxes. We recommend that personnel obtain adequate training in this area.

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, Mellen, Hazel & Co., P.A.
Mims, Mellen, Hazel & Co., P.A.
October 13, 1995

COMPLIANCE REPORT BASED ON AN AUDIT OF GENERAL
PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED 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 as of and for the year ended June 30, 1995, and have issued our report thereon dated October 13, 1995.

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 is the responsibility of Sheldon Township Fire District, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Sheldon Township 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 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 Sheldon Township 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, Mellen, Hazel & Co., P.A.

Mims, Mellen, Hazel & Company, P.A.
October 13, 1995