

SHELDON TOWNSHIP FIRE DISTRICT
ANNUAL AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1996

ISSUED BY

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SHELDON TOWNSHIP FIRE DISTRICT
ANNUAL AUDIT REPORT
FOR YEAR ENDED JUNE 30, 1996

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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 and for the year ended June 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 and Governmental 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 accordance with Governmental Auditing Standards, we have also issued a report dated November 22, 1996, on our consideration of the Sheldon Township Fire District's internal control structure and a report dated November 22, 1996, on its compliance with laws and regulations.

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, 1996, 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.

November 22, 1996

SHELDON TOWNSHIP FIRE DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNTS GROUPS
 JUNE 30, 1996

	GOVERNMENTAL FUND TYPES			ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ASSETS						
Cash - Unrestricted	\$ 833	\$ 0	\$ 0	\$ 0	\$ 0	\$ 833
Due from Beaufort County	48,661	2,666	11,426	0	0	62,753
Property Tax Receivable	4,448	0	453	0	0	4,901
Amount Available in Debt Service Fund	0	0	0	0	11,879	11,879
Amount to be Provided for Retirement of Long-Term Debt	0	0	0	0	148,992	148,992
Property and Equipment	0	0	0	645,928	0	645,928
TOTAL ASSETS	\$ 53,942	\$ 2,666	\$ 11,879	\$ 645,928	\$ 160,871	\$ 875,286
LIABILITIES AND FUND BALANCES						
Liabilities						
Accrued Payroll Taxes	\$ 3,803	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,803
Other Payroll Withholding	0	0	0	0	0	0
Accrued Retirement Payable	1,775	0	0	0	0	1,775
Notes Payable	0	0	0	0	160,871	160,871
Total Liabilities	5,578	0	0	0	160,871	166,449
Fund Balances						
Investment in General Fixed Assets	0	0	0	645,928	0	645,928
Designated	0	2,666	11,879	0	0	14,545
Undesignated	48,364	0	0	0	0	48,364
Total Fund Balances	48,364	2,666	11,879	645,928	0	708,837
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,942	\$ 2,666	\$ 11,879	\$ 645,928	\$ 160,871	\$ 875,286

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, 1996

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL	DEBT	
	FUND	REVENUE FUND	SERVICE FUND	
REVENUES				
Taxes	\$ 272,274	\$ 0	\$ 27,626	\$ 299,900
Interest	2,046	78	0	2,124
Penalties	2,332	0	233	2,565
Merchants Inventory	253	0	0	253
Contributions	750	0	0	750
Donated Equipment	21,171	0	0	21,171
Fire Impact Fees	0	2,588	0	2,588
Sale of Assets	8,100	0	0	8,100
Miscellaneous	4,260	0	0	4,260
Total Revenues	<u>311,186</u>	<u>2,666</u>	<u>27,859</u>	<u>341,711</u>
EXPENDITURES				
Salaries and Wages	147,487	0	0	147,487
Retirement	14,618	0	0	14,618
Payroll Taxes	12,904	0	0	12,904
Insurance	26,958	0	0	26,958
Office Supplies	1,374	0	0	1,374
Utilities	7,392	0	0	7,392
Building Maintenance	12,865	0	0	12,865
Vehicle Maintenance	34,178	0	0	34,178
Equipment Maintenance	1,771	0	0	1,771
Fire Fighting Equipment	21,211	0	0	21,211
Supplies	1,359	0	0	1,359
Uniforms	1,224	0	0	1,224
Travel and Training	951	0	0	951
Postage	269	0	0	269
Administrative Cost	6,501	0	0	6,501
Debt Service - Principal	4,250	0	33,431	37,681
Debt Service - Interest	0	0	8,473	8,473
Miscellaneous	2,649	0	0	2,649
Capital Outlay	72,931	0	0	72,931
Total Expenditures	<u>370,892</u>	<u>0</u>	<u>41,904</u>	<u>412,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,706)</u>	<u>2,666</u>	<u>(14,045)</u>	<u>(71,085)</u>
OTHER FINANCING SOURCES (USES)				
Bank Loan	60,359	0	0	60,359
Transfers	0	0	0	0
Total Other Financing Sources (Uses)	<u>60,359</u>	<u>0</u>	<u>0</u>	<u>60,359</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>653</u>	<u>2,666</u>	<u>(14,045)</u>	<u>(10,726)</u>
Fund Balances, Beginning of Year	47,711	0	25,924	73,635
Fund Balances, End of Year	<u>\$ 48,364</u>	<u>\$ 2,666</u>	<u>\$ 11,879</u>	<u>\$ 62,909</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, 1996

	GENERAL FUND			DEBT SERVICE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 281,274	\$ 272,274	\$(9,000)	\$ 37,000	\$ 27,626	\$(9,374)
Interest	0	2,046	2,046	0	0	0
Penalties	0	2,332	2,332	0	233	233
Merchants Inventory	0	253	253	0	0	0
Donations	0	750	750	0	0	0
Donated Equipment	21,171	21,171	0	0	0	0
Sale of Assets	0	8,100	8,100	0	0	0
Miscellaneous	0	4,260	4,260	0	0	0
Total Revenues	<u>302,445</u>	<u>311,186</u>	<u>8,741</u>	<u>37,000</u>	<u>27,859</u>	<u>(9,141)</u>
EXPENDITURES						
Salaries and Wages	149,612	147,487	2,125	0	0	0
Retirement	14,421	14,618	(197)	0	0	0
Payroll Taxes	11,334	12,904	(1,570)	0	0	0
Insurance	25,612	26,958	(1,346)	0	0	0
Office Supplies	618	1,374	(756)	0	0	0
Utilities	7,000	7,392	(392)	0	0	0
Building Maintenance	6,927	12,865	(5,938)	0	0	0
Vehicle Maintenance	34,300	34,178	122	0	0	0
Equipment Maintenance	750	1,771	(1,021)	0	0	0
Fire Fighting Equipment	25,371	21,211	4,160	0	0	0
Supplies	2,000	1,359	641	0	0	0
Uniforms	1,452	1,224	228	0	0	0
Travel and Training	1,100	951	149	0	0	0
Postage	200	269	(69)	0	0	0
Administrative Cost	5,748	6,501	(753)	0	0	0
Debt Service - Principal	6,000	4,250	1,750	28,527	33,431	(4,904)
Debt Service - Interest	0	0	0	8,473	8,473	0
Miscellaneous	2,750	2,649	101	0	0	0
Capital Outlay	67,609	72,931	(5,322)	0	0	0
Total Expenditures	<u>362,804</u>	<u>370,892</u>	<u>(8,088)</u>	<u>37,000</u>	<u>41,904</u>	<u>(4,904)</u>
Excess (Deficiency) of Revenues Over Expenditures	\$(60,359)	\$(59,706)	\$ 653	\$ 0	\$(14,045)	\$(14,045)

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, 1996

	<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	\$ 60,359	\$ 60,359	\$ 0	\$ 0	\$ 0	\$ 0
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(60,359)</u>	<u>(60,359)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 0</u>	653	<u>\$ 653</u>	<u>\$ 0</u>	(14,045)	<u>\$(14,045)</u>
Fund Balance, Beginning of Year		<u>47,711</u>			<u>25,924</u>	
Fund Balance, End of Year		<u>\$ 48,364</u>			<u>\$ 11,879</u>	

See accompanying notes and accountants' report.

SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

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. REPORTING ENTITY

Generally accepted accounting principles, as established by the Governmental Accounting Standards Board, require that the financial reporting entity's financial statements include the financial operation of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criteria for including organizations as component units within the reporting entity include legal separation of the organization, selection of governing authority, designation of management, ability to influence operations, accountability for fiscal matters, and financial interdependency. Based on the above reporting criteria, all activities or organizations considered to be part of the Sheldon Township Fire District are included in the financial statements.

B. 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.

Special Revenue Fund - Special Revenue Funds are used to account for the specific revenue sources that are legally restricted to expenditures for specific purposes. This fund is used to account for fire impact fees assessed on new development and will be expended on major capital acquisitions.

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

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets.

Sheldon Township Fire District's reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of the results of operations.

a. General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the Fire District. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings and equipment (e.g. roadways, pathways, etc.) are not capitalized along with other general fixed assets. No depreciation is provided on general fixed assets.

SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

2. Account Groups - Continued

b. General Long-Term Debt Account Group

This group of accounts is established to account for all long-term obligations of the 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.

C. 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.

D. 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.

E. LONG-TERM DEBT

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

F. 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.

G. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

H. 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.

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.

The Sheldon Township Fire District had a related party transaction with one of the fire commissioners, Wayne Blankenship. Mr. Blankenship's company installed a driveway for the Sheldon Township Fire District. Bids were obtained from three companies and Mr. Blankenship's bid was determined to be the lowest.

SHELDON TOWNSHIP FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

NOTE 3 LONG-TERM DEBT

Notes payable at June 30, 1996, 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.	\$ 6,750
(2) \$109,702, Community Bank of South Carolina, interest at a rate of 5.29% due July 1, with principal payment of \$15,000 due each July 1, interest adjusted annually at maturity. Collateralized by Fire Station.	56,604
(3) \$52,020, Community Bank of South Carolina, interest at a rate of 5.1% with principal payment of \$7,431.43 due each January, interest adjusted annually at maturity. Collateralized by 1975 FMC Pumper.	37,158
(4) \$60,359, BB&T Leasing Corporation, payable at \$14,092 per year including interest at a rate of 5.39% with payments due each August 31 until final payment on August 31, 2000. Collateralized by 95 Ford with Ranger Rescue body.	<u>60,359</u>
Total	<u>\$ 160,871</u>

Changes in Long-Term Debt:

	<u>Balance June 30, 1995</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 1996</u>
BB&T	\$ 0	\$ 60,359	\$	\$ 60,359
First Union Note Payable	22,000		15,250	6,750
BB&T	71,604		15,000	56,604
BB&T	44,589		7,431	37,158
Total	<u>\$ 138,193</u>	<u>\$ 60,359</u>	<u>\$ 37,681</u>	<u>\$ 160,871</u>

The total requirements to pay the notes payable as of June 30, 1996, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 46,289	\$ 4,751	\$ 51,040
1998	40,123	4,167	44,290
1999	40,739	2,898	43,637
2000	20,349	1,820	22,169
2001 - Thereafter	13,371	721	14,092
Total	<u>\$ 160,871</u>	<u>\$ 14,357</u>	<u>\$ 175,228</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.

SHELDON TOWNSHIP FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

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.

NOTE 6 PENSION PLAN OBLIGATION

The Fire District participates in the South Carolina Retirement System. The South Carolina Retirement System is a cost-sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board.

Both employees and employers are required to contribute to the plan under authority of Title 9 of the South Carolina Code of Laws. All employers contribute at the actuarially required contribution rates. A summary of the required contribution rates and the amounts contributed to the plan follows:

<u>CONTRIBUTION INFORMATION:</u>	<u>SCPRS</u>
Total Current Year Payroll	\$ 147,487
Covered Payroll	139,557
Employee Contributions	9,071
Employee Contribution Rate (based upon salary)	6.5%
Employer Contributions	14,618
Employer Contribution Rate (based upon salary)	10.3%

Contribution rates for the previous two years have been 6.5% for employee contributions, 10.3% for employer contributions.

In addition to the above rates, participating employers of the South Carolina Police Officers Retirement System contribute .2% of payroll to provide a group life insurance benefit and .2% payable to provide an accidental death benefit for their participants.

The South Carolina Police Officers Retirement System offers retirements and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plan's provisions are established under Title 9 of the South Carolina Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

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, 1996, the following changes in general fixed assets occurred:

	<u>Balance</u> <u>June 30, 1995</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 1996</u>
Land and Buildings	\$ 191,715	\$ 1,050	\$ 0	\$ 192,765
Vehicles	237,032	60,932	2,500	295,464
Office Equipment	517	3,075	0	3,592
Fire Fighting Equipment	165,026	3,146	14,592	153,580
Well	527	0	0	527
Total	<u>\$ 594,817</u>	<u>\$ 68,203</u>	<u>\$ 17,092</u>	<u>\$ 645,928</u>

The Sheldon Township Fire District sold old bunker gear, an old tanker, and an old fire squad. The sales of these assets were approved in the minutes by the Commission.

SHELDON TOWNSHIP FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

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.

Items required to adjust actual revenues and expenditures reported on the budgetary basis to those reported on the combined statement of Revenues, Expenditures, and changes in Fund Balances - All Governmental Fund Types (GAAP Basis) are as follows:

	General Fund Revenues	General Fund Expenditures
Original adopted budget	\$ 281,274	\$ 281,274
Proceeds of Debt	60,359	60,359
Donated Equipment	21,171	21,171
Final Budget - GAAP Basis	<u>\$ 362,804</u>	<u>\$ 362,804</u>

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.

NOTE 11 DEBT LIMITATION

The Sheldon Township Fire District's general obligation debt is limited by law to eight percent of the total assessed value. As of March, 1996 the assessed value was \$8,810,483. The computation of legal debt limits is as follows:

Assessed value (8,810,483 X 8%)	\$ 704,839
General obligation debt at June 30, 1996	(160,871)
Excess of debt limit over general obligation debt	<u>\$ 543,968</u>

SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 12 INSURANCE

The Fire District's insurance coverage is through the State of South Carolina Insurance Reserve Fund. The following coverage was in effect on June 30, 1996:

Vehicles	\$274,829 Vehicle Cost \$200 Deductible Comprehensive \$500 Deductible Collision \$500,000 Auto Liability \$1,000 Medical payments (each person)
Building and Personal Property	\$360,000 Building Limit \$70,000 Contents Limit \$250 Deductible 80% Coinsurance
Equipment	\$107,187 Property Value \$250 Deductible 100% Coinsurance
General Tort Liability	Directors, Executive Managers, Volunteers and Others

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE 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 for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

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, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 established an inventory of existing fixed assets but needs to establish procedures for maintaining records for future acquisitions and retirements.
2. Due to the small size of the organization, there is inadequate segregation of duties. However, when possible, segregation of duties is employed.
3. The Sheldon Township Fire District did not reconcile the cash disbursements journal to the checks written. This condition should no longer exist next fiscal year since the general ledger will be automated for the entire year.

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.
November 22, 1996

INDEPENDENT AUDITORS' 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, 1996, and have issued our report thereon dated November 22, 1996.

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. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Governmental Auditing Standards.

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 & Co., P.A.
November 22, 1996