

**SHELDON TOWNSHIP FIRE DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**SHELDON TOWNSHIP FIRE DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2010**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	9
Statement of Activities	10
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
<i>Notes to the Financial Statements</i>	15
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	25
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund	27

**FINANCIAL SECTION**

# LISA T. WECHSLER, P.A.

CERTIFIED PUBLIC ACCOUNTANT

341 COTTAGE FARM DRIVE

BEAUFORT, SC 29902

TEL (843) 470-0630 FAX (843) 470-0635

EMAIL [ltwechslerpa@embarqmail.com](mailto:ltwechslerpa@embarqmail.com)

Lisa T. Wechsler, CPA

## INDEPENDENT AUDITORS' REPORT

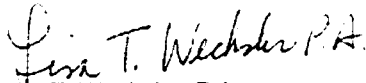
Board of Commissioners  
Sheldon Township Fire District  
Sheldon, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sheldon Township Fire District, as of and for the year ended June 30, 2010 which collectively comprises the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Sheldon Township Fire District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Sheldon Township Fire District as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Lisa T. Wechsler, P.A.  
Beaufort, South Carolina  
December 20, 2010

## **Sheldon Township Fire District Management's Discussion and Analysis**

As management of Sheldon Township Fire District (Sheldon), we offer readers of Sheldon's financial statements this narrative overview and analysis of the financial activities of Sheldon for the fiscal year ended June 30, 2010.

### **Financial Highlights**

- The assets of Sheldon exceed its liabilities at the close of the most recent fiscal year by \$688,506 (net assets). Of this amount, \$374,406 represents the investment in capital assets less depreciation and debt on those assets. The remaining balance of \$314,100 represents the equity in unrestricted net assets. Sheldon's total net assets increased by \$7,872.
- As of the close of the current fiscal year Sheldon's governmental funds reported a combined ending fund balance of \$288,044, a decrease of \$6,593.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Sheldon's basic financial statements. Sheldon's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of Sheldon's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Sheldon's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in the net assets may serve as a useful indicator of whether the financial position of Sheldon is improving or deteriorating.

The statement of activities presents information showing how Sheldon's net assets changed during the most recent fiscal year. Changes in net assets are reported on a full accrual basis, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of Sheldon that are supported by general revenues such as taxes and fees. The governmental activities of Sheldon include programs related to public safety for fire protection. Sheldon currently has no business type activities.

The government-wide financial statements can be found on pages 9 thru 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been grouped for specific activities. Sheldon like other public agencies uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the programs of Sheldon can be divided into governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Sheldon's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the two for similar activities and programs. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in this comparison of governmental programs and governmental activities.

Sheldon maintains four individual governmental programs. Information is presented by expenditure category in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. Data from these programs are combined into a single, aggregated presentation.

Sheldon adopts an annual budget for all funds except the special revenue fund - impact fee fund and the one percent fund. A schedule comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 thru 14 of this report,

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 thru 24 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a public government's financial position. In the case of Sheldon, assets exceeded liabilities by \$688,506. Comparative information has been presented for 2009. The following table reflects the condensed government-wide statement of net assets.

	SHELDON TOWNSHIP FIRE DISTRICT NET ASSETS	
	Governmental Activities	
	2010	2009
Current and Other Assets	\$ 354,917	\$ 325,510
Capital Assets	909,825	837,650
Total Assets	<u>1,264,742</u>	<u>1,163,160</u>
Long-term Liabilities Outstanding	555,294	495,952
Other Liabilities	20,942	18,522
Total Liabilities	<u>576,236</u>	<u>514,474</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	374,406	368,599
Unrestricted	314,100	280,087
Total Net Assets	<u>\$ 688,506</u>	<u>\$ 648,686</u>

The largest portion of Sheldon's net assets \$374,406 (57 percent) reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Sheldon's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2010, Sheldon had outstanding long-term liabilities of \$555,294 for the purchase of fire trucks and annual leave. The remaining net assets of \$314,100 represent the equity in the unrestricted net assets.

Net assets increased \$39,820 due to the fact that net assets increased \$7,872 for the fiscal year ended June 30, 2010 and a prior period adjustment of \$31,948 was recorded to reflect the beginning balance in the one percent fund.

Long-term liabilities outstanding are up due to an additional lease financing arrangement for a body mounted a truck. Two vehicles were removed as a result of that transaction. Capital assets were also adjusted to reflect the changes occurring as a result.

**Governmental activities.** Sheldon's total net assets increased by \$7,872. Key elements of this increase are as shown in the following table.

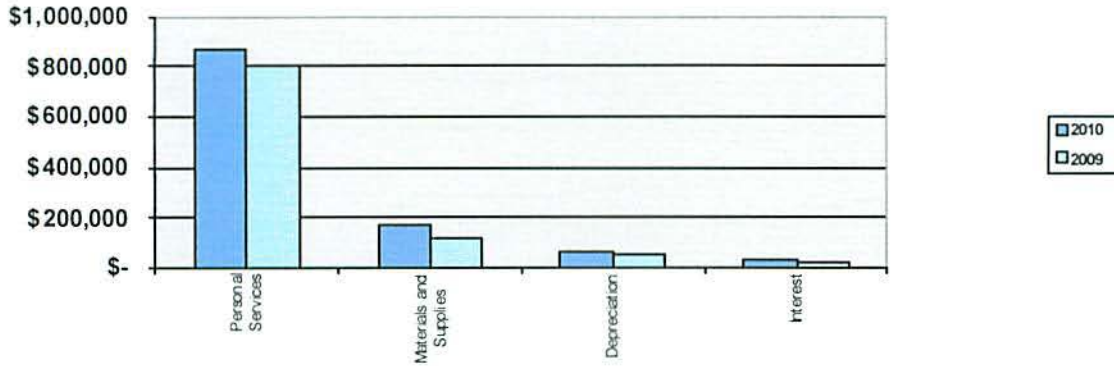
	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Expenses</b>		
Public Safety - Fire Protection		
Personal Services	\$ 866,296	\$ 808,642
Materials and Services	170,880	115,210
Depreciation	62,489	56,719
Interest	27,116	25,222
Total Expenses	<u>1,126,781</u>	<u>1,005,793</u>
<b>Program Revenues</b>		
Operating Grants and Contributions	-	3,265
Capital Grants and Contributions	25,000	42,750
Total Program Revenues	<u>25,000</u>	<u>46,015</u>
<b>General Revenues</b>		
Taxes	1,092,046	1,132,161
Fees	17,607	5,836
Miscellaneous	-	186
Total general revenues	<u>1,109,653</u>	<u>1,138,183</u>
Increase (decrease) in net assets	7,872	178,405
Net assets – beginning	648,686	470,281
Prior Period Adjustment	31,948	-
Net assets – ending	<u>\$ 688,506</u>	<u>\$ 648,686</u>

Fees are up due to the inclusion of the one percent fund receipts for the year.

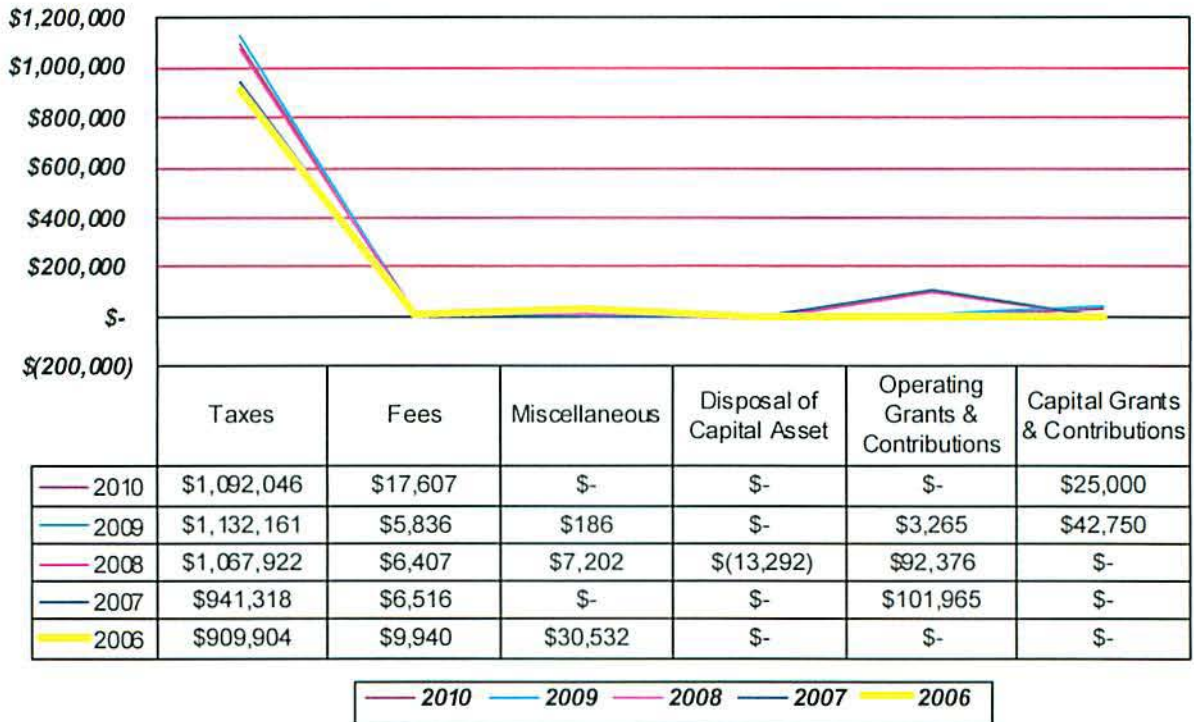
The prior period adjustment reflects the beginning balance for the one percent fund net assets.



### Expenses – Governmental Activities



### Revenues by Source – Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, Sheldon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Sheldon's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Sheldon's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Sheldon's governmental funds reported combined ending fund balances of \$288,044, a decrease of \$6,593. The major governmental funds consist of the general fund, the debt service fund, and the impact fund. Positive variances in tax revenues along with positive variances in expenditures resulted in a \$31,525 increase in the general fund balance.

## Capital Assets and Debt Administration

**Capital Assets.** Sheldon's investment in capital assets for its governmental type activities as of June 30, 2010 amounts to \$909,825 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, leasehold improvements, furniture and equipment, and vehicles. Increases in Sheldon's investment in capital assets for the current fiscal year include \$25,000 for an air compressor and a cylinder fill station and \$126,928 for body mounted on a year 2007 fire truck. Depreciation expense was \$62,489 for the year.

### SHELDON TOWNSHIP FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities	
	2010	2009
Land and Improvements	\$ 30,000	\$ 30,000
Buildings and Improvements	216,885	222,081
Furniture and Equipment	125,366	114,633
Vehicles	537,574	470,936
Total	<u>\$ 909,825</u>	<u>\$ 837,650</u>

Additional information on Sheldon's capital assets can be found in note 5 on page 21 of this report.

**Long-term debt.** At the end of the current fiscal year, Sheldon had long-term debt outstanding in the amount of \$535,419. The debt was attributable to the acquisition of fire trucks. Additional information can be found in notes to the financial statements on page 21 note 6.

**SHELDON TOWNSHIP FIRE DISTRICT LONG-TERM DEBT OUTSTANDING**

	Governmental Activities	
	2010	2009
Leases Payable	\$ 535,419	\$ 469,051
Total	\$ 535,419	\$ 469,051

**Economic Factors and Next Year's Budgets**

The operating budget for fiscal year 2010/2011 has been established at \$1,040,352 with 32.22 mills estimated to support this budget. This is compared to the budget for 2010 at \$1,011,793 at 32.09 mills. Additionally, 2.18 mills are to be levied for the debt service requirements for an approved budget of \$65,105 compared to 2.14 mills in the prior year.

**Requests for information**

This financial report is designed to provide a general overview of Sheldon Township Fire District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief, Sheldon Township Fire District, Post Office Box 129, Sheldon, South Carolina, 29941.

**BASIC FINANCIAL STATEMENTS**

**SHELDON TOWNSHIP FIRE DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**ASSETS**

Cash	\$	93,374
Receivables		67,764
Due from Beaufort County Treasurer		190,535
Prepaid Expenses		3,244
Capital Assets, not being depreciated		30,000
Capital Assets, being depreciated		879,825
Total Assets		1,264,742

**LIABILITIES**

Interest Payable		20,942
Noncurrent Liabilities:		
Due within one year		39,171
Due in more than one year		516,123
Total Liabilities		576,236

**NET ASSETS**

Unrestricted		314,100
Investment in Capital Assets, Net of Related Debt		374,406
Total Net Assets	\$	688,506

The notes to the financial statements are an integral part of this statement.

**SHELDON TOWNSHIP FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

**EXPENSES**

Personal Services	\$	866,296
Materials and Supplies		170,880
Depreciation		62,489
Interest		27,116
Total Expenses		1,126,781

**PROGRAM REVENUES**

Capital Grants and Contributions		25,000
Total Program Revenues		25,000

**GENERAL REVENUES**

Taxes		1,092,046
Fees		17,607
Total General Revenues		1,109,653

Increase in Net Assets		7,872
------------------------	--	-------

Net Assets, beginning of year		648,686
Prior Period Adjustment		31,948
Net Assets, end of year	\$	688,506

The note to the financial statements are an integral part of this statement.

**SHELDON TOWNSHIP FIRE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	DEBT SERVICE FUND	ONE PERCENT FUND	IMPACT FEE FUND	
<b>ASSETS</b>					
Cash	\$ 93,374	\$ -	\$ -	\$ -	\$ 93,374
Receivables	63,538	4,226	-	-	67,764
Due from Beaufort County Treasurer	112,459	18,810	29,551	29,715	190,535
Prepaid Expenses	3,244	-	-	-	3,244
<b>Total Assets</b>	<b>\$ 272,615</b>	<b>\$ 23,036</b>	<b>\$ 29,551</b>	<b>\$ 29,715</b>	<b>\$ 354,917</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Deferred Revenue	\$ 62,687	\$ 4,186	\$ -	\$ -	\$ 66,873
<b>Total Liabilities</b>	<b>62,687</b>	<b>4,186</b>	<b>-</b>	<b>-</b>	<b>66,873</b>
<b>Fund Balances</b>					
Unreserved	209,928	18,850	29,551	29,715	288,044
<b>Total Fund Balances</b>	<b>209,928</b>	<b>18,850</b>	<b>29,551</b>	<b>29,715</b>	<b>288,044</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 272,615</b>	<b>\$ 23,036</b>	<b>\$ 29,551</b>	<b>\$ 29,715</b>	<b>\$ 354,917</b>

**SHELDON TOWNSHIP FIRE DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

Total net assets reported for governmental activities in the statement of net assets is different because:

Total fund balances for governmental funds	\$	288,044
--	----	---------

Capital assets used in the District's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$	30,000	
Buildings and improvements, net of \$75,132 accumulated depreciation		216,885	
Vehicles, net of \$411,936 accumulated depreciation		537,574	
Furniture and equipment, net of \$60,525 accumulated depreciation		<u>125,366</u>	
Total Capital Assets			909,825

Some receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.			66,873
---	--	--	--------

Long-term liabilities applicable to District's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets. Balances at June 30, 2010 are:

Interest Payable		(20,942)	
Annual Leave		(19,875)	
Notes Payable		<u>(535,419)</u>	
Total Long-Term Liabilities			<u>(576,236)</u>

Total net assets of governmental activities	\$	<u>688,506</u>
---	----	----------------



**SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2010**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	DEBT SERVICE FUND	ONE PERCENT FUND	IMPACT FEE FUND	
<b>REVENUES</b>					
Taxes	\$ 1,019,527	\$ 68,467	\$ -	\$ -	\$ 1,087,994
Fees	-	-	15,023	2,584	17,607
Other Income	11,772	-	-	25,000	36,772
<b>Total Revenues</b>	<u>1,031,299</u>	<u>68,467</u>	<u>15,023</u>	<u>27,584</u>	<u>1,142,373</u>
<b>Expenditures</b>					
Public Safety - Fire Protection					
Personal Services	873,322	-	-	-	873,322
Materials and Services	126,452	-	17,420	-	143,872
Capital Outlay	40,000	-	-	111,928	151,928
Debt Service	-	66,772	-	-	66,772
<b>Total Expenditures</b>	<u>1,039,774</u>	<u>66,772</u>	<u>17,420</u>	<u>111,928</u>	<u>1,235,894</u>
Excess (deficiency) of revenues over (under) expenditures	(8,475)	1,695	(2,397)	(84,344)	(93,521)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	-	-	86,928	86,928
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,928</u>	<u>86,928</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(8,475)	1,695	(2,397)	2,584	(6,593)
Fund balance, beginning of year	218,403	17,155	-	27,131	262,689
Prior Period Adjustment	-	-	31,948	-	31,948
<b>Fund balance, end of year</b>	<u>\$ 209,928</u>	<u>\$ 18,850</u>	<u>\$ 29,551</u>	<u>\$ 29,715</u>	<u>\$ 288,044</u>

The notes to the financial statements are an integral part of this statement.

**SHELDON TOWNSHIP FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds	\$	(6,593)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$151,928) was more than depreciation (\$62,489) in the current period.</p>		
		89,439
<p>Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability.</p>		
		(86,928)
<p>Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
		20,560
<p>Disposal of capital asset that was donated to another fire district</p>		
		(17,264)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		4,052
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Annual Leave		7,026
Interest Payable		(2,420)
		<hr/>
Total change in net assets of governmental activities	<u>\$</u>	<u>7,872</u>

The notes to the financial statements are an integral part of this statement.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sheldon Township Fire District (Sheldon) was established on August 24, 1977 for the purpose of providing fire protection for the residents of Sheldon Township in Beaufort County, South Carolina.

**Reporting Entity**

Sheldon is an special purpose tax district whose appointed board controls its operations and fiscal accountability. Beaufort County is a related party in that the Beaufort County Council has final approval of budget, assesses millage, collects taxes, and prepares payroll for Sheldon.

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 imposition of will, and financial benefit or burden on a primary government and selection of governing authority. Based on the above criteria, the Sheldon Township Fire District has no component units required to be reported in these financial statements.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by the appointed board and the executive director.

The operating budget is funded through property taxes. The operating revenues and expenditures are included in the General Fund. The accounting policies of Sheldon conform to generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Sheldon reports only governmental activities, as there are no business type activities.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sheldon reports the following major governmental funds:

The *general fund* is Sheldon's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* represents Sheldon's collection and payment of the general obligation bond. It accounts for all financial resources that are restricted for debt payment.

The *one percent fund* represents Sheldon's collection of revenues through the South Carolina State Firefighters Association that are restricted by the state legislature.

The *impact fund* represents Sheldon's collection of impact fees from developers within that district. It accounts for all financial resources that are restricted for capital assets.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is Sheldon's policy to use restricted resources first then unrestricted resources, as they are needed.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments**

Sheldon's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Sheldon is authorized by state statute to invest in the following:

- Obligations of the United States and its agencies;
- General obligations of the State of South Carolina and its political units;
- Savings and loan associations to the extent that the same are insured by an agency of the Federal Government;
- Certificates of deposit where the certificates are collaterally secured by securities of the type described in above and are held by a third party as escrow agent or custodian, at a market value not less than the amounts of the certificates of deposit plus interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

**Inventories and Prepaid Items**

Inventories of the general fund consist of supplies held for consumption and are immaterial to the financial statements and accordingly are not recorded.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by Sheldon as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Sheldon does not have any significant infrastructure assets that should be recorded at this time.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50 years
Furniture and Equipment	5-25 years
Vehicles	5-20 years

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Assets, Liabilities, and Net Assets or Equity - Continued**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Government-wide and fund financial statements must be presented using an all-inclusive format. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus changes in net assets on the government-wide statement of activities is added to (or deducted from) net assets – beginning of the fiscal year to arrive at net assets – end of the fiscal year.

Net assets are defined as the difference between assets and liabilities in the government-wide statement of net assets.

The government-wide statement of net assets reports all government assets; therefore, a significant portion of the net assets reported there typically reflects a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP requires the amount of net assets invested in capital assets to be reported as a separate category of net assets. Net assets invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of Sheldon's net assets by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as restricted net assets.

GAAP direct that the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as unrestricted net assets.

**Comparative Data/Reclassifications**

Comparative total data for the prior year has not been presented.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Assets, Liabilities, and Net Assets or Equity - Continued**

**Expenses/Expenditures**

Consistent with the current financial resources measurement focus, the governmental fund statement of activities report expenditures rather than expenses. Expenditures in the fund financial statements are presented by character for the governmental funds. The character of an expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (current expenditures) are distinguished from those presumed to benefit both the present and future periods (debt service expenditures and capital outlay expenditures). GAAP also provides for a fourth character classification, intergovernmental expenditures, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by function. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

**Budget and Budgetary Accounting**

Prior to the start of each fiscal year, Sheldon approves an operating budget prepared in accordance with generally accepted accounting principles. Beaufort County approves total budget and assesses millage to collect taxes. The appointed commissioners of Sheldon in conjunction with Beaufort County approval make any revisions to the budget during the year. Budgets are adopted for the general fund and the debt service fund. Accordingly, a budget to actual comparison is presented as required supplementary information. Supplemental appropriations of \$40,000 were approved to be spent from the cash on hand at the District.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2 DEPOSITS AND INVESTMENTS**

South Carolina statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and South Carolina government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits but do allow the pooling of governmental funds for investment purposes.

Deposits of the governmental funds are maintained in demand deposits or savings accounts, or certificates of deposits. The bank balance at June 30, 2010 was \$114,446 while the book balance was \$93,374. The bank balance was insured by the FDIC.

Custodial credit risk is the risk that in the event of a bank failure, Sheldon's deposits may not be returned to it. Sheldon does not have a deposit policy for custodial credit risk.

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2010 were as follows:

	<b>Fund Statements</b>	<b>Government-wide Statements</b>
Taxes Receivable	\$ 76,314	\$ 76,314
Allow for Doubtful Accounts	(8,550)	(8,550)
<b>Total Accounts Receivable</b>	<b>\$ 67,764</b>	<b>\$ 67,764</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the government funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property taxes	\$ 66,873	\$ -
<b>Total</b>	<b>\$ 66,873</b>	<b>\$ -</b>

**NOTE 4 DUE FROM BEAUFORT COUNTY**

The amount due from Beaufort County represents cash held by the County Treasurer in a pooled account. These deposits were entirely covered by federal deposit insurance or by collateral held by the financial institution in the County's name.



**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 PROPERTY AND EQUIPMENT**

The following is a summary of changes in the capital assets during the fiscal year.

<u>Governmental Activities</u>	<u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	30,000	\$ -	\$ -	30,000
Total capital assets, not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	292,017	-	-	292,017
Furniture and equipment	160,891	25,000	-	185,891
Vehicles	893,514	126,928	70,932	949,510
Total capital assets being depreciated	<u>1,346,422</u>	<u>151,928</u>	<u>70,932</u>	<u>1,427,418</u>
Less accumulated depreciation for:				
Buildings and improvements	69,936	5,196	-	75,132
Furniture and equipment	46,258	14,267	-	60,525
Vehicles	422,578	43,026	53,668	411,936
Total accumulated depreciation	<u>538,772</u>	<u>62,489</u>	<u>53,668</u>	<u>547,593</u>
Total capital assets being depreciated, net	<u>807,650</u>	<u>89,439</u>	<u>17,264</u>	<u>879,825</u>
Governmental activities capital assets, net	<u>\$ 837,650</u>	<u>\$ 89,439</u>	<u>\$ 17,264</u>	<u>\$ 909,825</u>

Depreciation expense was \$62,489 for the year ended June 30, 2010. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>		
Public Safety Fire Protection		\$ 62,489
Total		<u>\$ 62,489</u>

**NOTE 6 LONG TERM OBLIGATIONS**

Changes in long term obligations were as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Current Portion</u>
Leases Payable	\$ 469,051	\$ 535,419	\$ 469,051	\$ 535,419	\$ 37,183
Annual Leave	26,901	-	7,026	19,875	1,988
Total	<u>\$ 495,952</u>	<u>\$ 535,419</u>	<u>\$ 476,077</u>	<u>\$ 555,294</u>	<u>\$ 39,171</u>

Interest paid for the year ended June 30, 2010, was \$24,696.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 LONG TERM OBLIGATIONS - CONTINUED**

Leases payable at June 30, 2010 consisted of the following:

	<b>BALANCE</b>
\$535,419 Lease payable to All American Investment Group due in eleven annual installments of \$65,105 in October and continuing through and including fiscal year 2021. Payments include interest of 5.18%. Collateralized by fire trucks	\$ 535,419
Total	\$ 535,419

**Five-Year Debt Requirements**

Sheldon has entered into a lease purchase agreement to purchase a fire truck and equipment with a lease term of twelve years. The following is a schedule of future minimum lease payments under capital leases, together with the present value of net minimum lease payments at June 30, 2010.

Year Ended June 30,	Principal
2011	\$ 65,105
2012	65,105
2013	65,105
2014	65,105
2015	65,105
2016 - 2020	325,525
2021	65,105
Total Minimum Lease Payments	716,155
Less Amount Representing Interest	(180,736)
Net Present Value of Minimum Lease Payments	\$ 535,419

The following is an analysis of property under capital leases included in property and equipment at June 30, 2010:

Fire trucks and equipment	\$ 811,839
Accumulated depreciation	(281,757)
Net value of leased property	\$ 530,082

**Compensated Absences**

Regular employees who are separated from Sheldon service will be paid for all accrued unused annual leave hours. Sheldon has no financial liability for its unused sick leave.

The accumulated unpaid annual leave earned, but not taken, by Sheldon employees as of June 30, 2010 totaled \$19,875 computed at each employee's pay rate and includes an estimate of eighteen percent for benefits payable that are related to the annual leave pay. Unused annual leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. All annual leave is paid from the general fund.

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 LONG TERM OBLIGATIONS - CONTINUED**

**Operating Leases**

Sheldon has immaterial operating leases on office equipment that are short-term in length.

**Debt Limitation**

Sheldon'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 district. The latest assessed value for 2009 was \$3,228,0433.

The computation of legal debt limits is as follows:

Assessed value (\$32,280,433 X 8%)	\$	2,582,435
General obligation debt at June 30, 2010		-
Excess of debt limit over general obligation debt	\$	<u>2,582,435</u>

**NOTE 7 PENSION PLAN OBLIGATIONS**

The Organization participates in the South Carolina Police Officers Retirement System. The South Carolina Police Officers 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 contributions rates and the amounts contributed to the plan follows:

<b>SOUTH CAROLINA RETIREMENT CONTRIBUTION INFORMATION</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total Current Year Payroll	\$ 40,383	\$ 39,720	\$ 37,564
Covered Payroll	40,383	39,720	37,564
Employee Contributions	2,625	2,582	2,442
Employee Contribution Rate (based upon salary)	6.50%	6.50%	6.50%
Employer Contributions	3,731	3,670	3,403
Employer Contribution Rate (based upon salary)	9.24%	9.24%	9.06%

<b>SOUTH CAROLINA POLICE OFFICERS CONTRIBUTION INFORMATION</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total Current Year Payroll	\$ 622,124	\$ 578,559	\$ 573,444
Covered Payroll	618,633	575,959	517,685
Employee Contributions	40,210	37,437	37,058
Employee Contribution Rate (based upon salary)	6.5%	6.5%	6.5%
Employer Contributions	65,884	61,340	58,723
Employer Contribution Rate (based upon salary)	10.65%	10.65%	10.30%

**SHELDON TOWNSHIP FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 PENSION PLAN OBLIGATIONS – CONTINUED**

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 11970, Columbia, South Carolina 29211-1970.

**NOTE 8 RISK MANAGEMENT**

Sheldon purchases insurance policies divided into coverage of workers' compensation, property and casualty, and employee health insurance from the insurance carrier. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy in accordance with insurance policy and benefit program limits. Sheldon has recorded insurance premium expenditures in the applicable functional expenditure categories of the general fund. These expenditures do not include estimated claim losses and estimable premium adjustments. There have not been any significant reductions in insurance coverage from the prior year.

**NOTE 9 SUPPLEMENTAL BUDGET APPROPRIATIONS**

The following amounts were added as supplemental budget appropriations to the final budget as approved by the board of commissioners.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>
Original Approved Budget	\$ 1,011,793	\$ 1,011,793
Approved payments from cash	-	40,000
Final Budget	<u>\$ 1,011,793</u>	<u>\$ 1,051,793</u>

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

**SHELDON TOWNSHIP FIRE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010**

		GENERAL FUND			
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>					
	Taxes	\$ 1,011,793	\$ 1,011,793	\$ 1,019,527	\$ 7,734
	Miscellaneous	-	-	11,772	11,772
	<b>Total Revenues</b>	<u>1,011,793</u>	<u>1,011,793</u>	<u>1,031,299</u>	<u>19,506</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>Public Safety - Fire Protection</b>					
<b>Personal Services</b>					
1	Personnel salaries	656,167	656,167	651,700	4,467
3	Overtime	13,500	13,500	10,807	2,693
4	Volunteer Per Diem	1,500	1,500	1,475	25
5	FICA/Medicare	51,229	51,229	50,698	531
7	Retirement	73,347	73,347	72,150	1,197
8	Health insurance	50,500	50,500	38,903	11,597
10	Unemployment	1,500	1,500	1,536	(36)
11	Workman's Compensation	53,000	53,000	46,053	6,947
	<b>Total Personal Services</b>	<u>900,743</u>	<u>900,743</u>	<u>873,322</u>	<u>27,421</u>
<b>Materials and Services</b>					
12	Audit	4,500	4,500	4,750	(250)
13	Physicals	8,000	8,000	7,928	72
14	Utilities	11,500	11,500	16,172	(4,672)
15	Grounds Maintenance	600	600	347	253
18	Custodial	1,100	1,100	1,202	(102)
19	Buildings repairs and maintenance	5,000	5,000	19,411	(14,411)
19	Insurance	6,600	6,600	7,765	(1,165)
20	Equipment repairs and maintenance	4,000	4,000	3,275	725

**SHELDON TOWNSHIP FIRE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010**

		GENERAL FUND			VARIANCE
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
20	Equipment and Vehicle Insurance	\$ 11,000	\$ 11,000	\$ 11,510	\$ (510)
21	Membership and Subscriptions	850	850	681	169
22	Office Supplies	1,000	1,000	999	1
23	Postage	400	400	410	(10)
24	Printing	1,600	1,600	1,360	240
25	Telephone	3,700	3,700	2,508	1,192
26	Training	3,000	3,000	2,421	579
27	Uniform	4,000	4,000	3,874	126
28	Fuel	19,500	19,500	13,722	5,778
29	Vehicle repairs and maintenance	14,000	14,000	13,344	656
30	Fire Prevention	2,200	2,200	1,751	449
	Small Tools	7,000	7,000	11,155	(4,155)
31	Miscellaneous	1,500	1,500	1,867	(367)
	Total Materials and Services	<u>111,050</u>	<u>111,050</u>	<u>126,452</u>	<u>(15,402)</u>
<b>Capital Outlay</b>					
32	Capital Outlay	-	40,000	40,000	-
	Total Materials and Services	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
	Total Expenditures	<u>1,011,793</u>	<u>1,051,793</u>	<u>1,039,774</u>	<u>12,019</u>
	Excess (deficiency) of revenues over (under) expenditures	-	(40,000)	(8,475)	31,525
	Fund balance, beginning of year	<u>218,403</u>	<u>218,403</u>	<u>218,403</u>	<u>-</u>
	Fund balance, end of year	<u>\$ 218,403</u>	<u>\$ 178,403</u>	<u>\$ 209,928</u>	<u>\$ 31,525</u>

**SHELDON TOWNSHIP FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010**

	DEBT SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Taxes	\$ 66,773	\$ 66,773	\$ 68,467	\$ 1,694
Total Revenues	66,773	66,773	68,467	1,694
<b>EXPENDITURES</b>				
Debt Service	66,773	66,773	66,772	1
Total Expenditures	66,773	66,773	66,772	1
Excess (deficiency) of revenues over (under) expenditures	-	-	1,695	1,695
Fund balance, beginning of year	17,155	17,155	17,155	-
Fund balance, end of year	\$ 17,155	\$ 17,155	\$ 18,850	\$ 1,695

The notes to the financial statements are an integral part of this statement.