

SHELDON TOWNSHIP FIRE DISTRICT



**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

**SHELDON TOWNSHIP FIRE DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2011**

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FINANCIAL SECTION



CROWLEY WECHSLER & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Sheldon Township Fire District
Sheldon, South Carolina

We have audited the accompanying basic 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, 2011, which collectively comprise Sheldon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheldon Township Fire District's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sheldon Township Fire District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, effective July 1, 2010, the Fire District adopted the provisions of Governmental Accounting Standards Boards (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Crowley Wechsler & Associates LLC
Beaufort, South Carolina
December 22, 2011

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, 2011.

Financial Highlights

- The assets of Sheldon exceed its liabilities at the close of the most recent fiscal year by \$679,134 (net assets). Of this amount, \$361,045 represents the investment in capital assets less depreciation and debt on those assets. \$92,401 is restricted for net assets held for debt service, impact fund, and one percent fund. The remaining balance of \$225,688 represents the equity in unrestricted net assets. Sheldon's total net assets decreased by \$9,372.
- As of the close of the current fiscal year Sheldon's governmental funds reported a combined ending fund balance of \$300,857, an increase of \$12,813.

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 10 thru 11 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 funds - 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 12 thru 15 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 16 thru 25 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 \$679,134. Comparative information has been presented for 2010. The following table reflects the condensed government-wide statement of net assets.

SHELDON TOWNSHIP FIRE DISTRICT NET ASSETS		
	Governmental Activities	
	2011	2010
Current and Other Assets	\$ 350,049	\$ 354,917
Capital Assets	915,281	909,825
Total Assets	<u>1,265,330</u>	<u>1,264,742</u>
Long-term Liabilities Outstanding	566,668	555,294
Other Liabilities	19,528	20,942
Total Liabilities	<u>586,196</u>	<u>576,236</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	361,045	374,406
Restricted	92,401	-
Unrestricted	225,688	314,100
Total Net Assets	<u>\$ 679,134</u>	<u>\$ 688,506</u>

The largest portion of Sheldon's net assets \$361,045 (53 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, 2011, Sheldon had outstanding long-term liabilities of \$566,668 for the purchase of fire trucks and annual leave. \$92,401 was restricted for debt service funds, one percent funds, and impact fees. The remaining net assets of \$225,688 represent the equity in the unrestricted net assets.

Long-term liabilities outstanding are up approximately \$11,000 due to an additional lease financing arrangement in the amount of \$56,000 for a vehicle netted with normal repayments of \$37,813, and a reduction in annual leave of \$7,443.

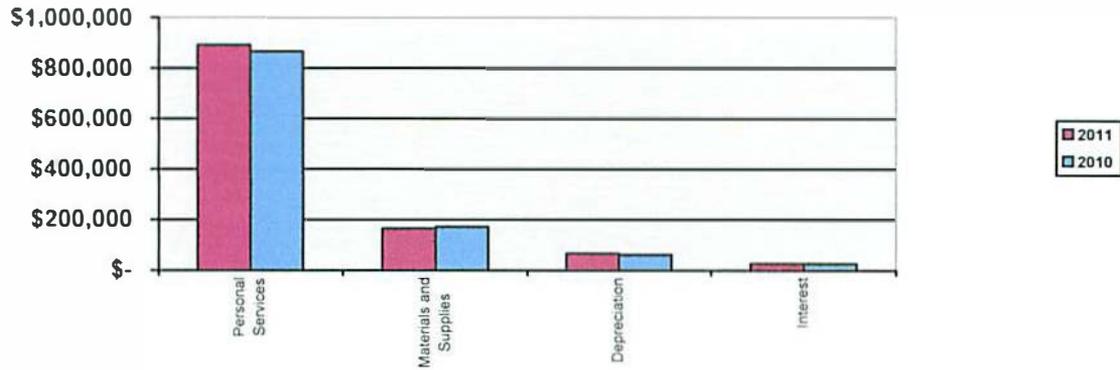
Governmental activities. Sheldon's total net assets decreased by \$9,372. Key elements of this increase are as shown in the following table.

SHELDON TOWNSHIP FIRE DISTRICT CHANGE IN NET ASSETS		
	Governmental Activities	
	2011	2010
Expenses		
Public Safety - Fire Protection		
Personnel Services	\$ 891,899	\$ 866,296
Materials and Services	165,520	170,880
Depreciation	66,544	62,489
Interest	26,507	27,116
Total Expenses	1,150,470	1,126,781
Program Revenues		
Operating Grants and Contributions	30,100	-
Capital Grants and Contributions	-	25,000
Total Program Revenues	30,100	25,000
General Revenues		
Taxes	1,089,168	1,092,046
Fees	21,830	17,607
Miscellaneous	-	-
Total General Revenues	1,110,998	1,109,653
Increase (decrease) in net assets	(9,372)	7,872
Net assets - beginning	688,506	648,686
Prior Period Adjustment	-	31,948
Net assets - ending	\$ 679,134	\$ 688,506

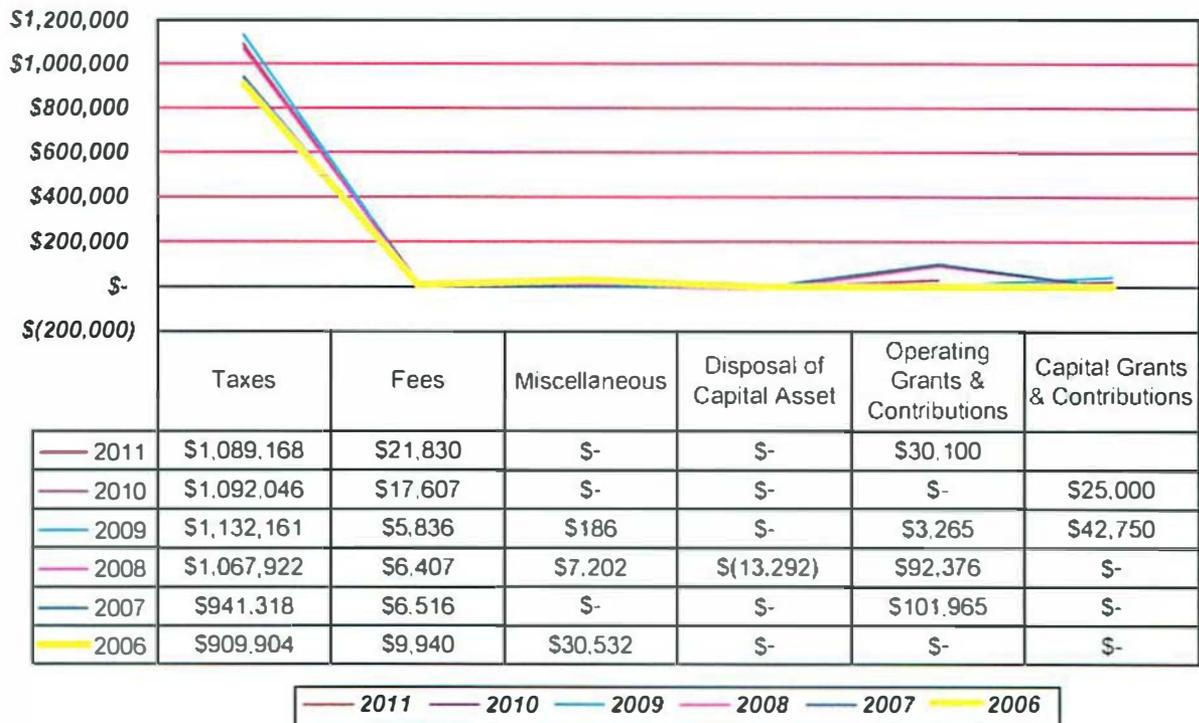
Revenues and expenses remain relatively stable as anticipated. Personnel services are up due to planned increase in longevity and cost of living. Depreciation expense is up slightly due to vehicles added in year 2010.

The prior period adjustment in year 2010 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, unassigned 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 \$300,857, an increase of \$12,813. The major governmental funds consist of the general fund, the debt service fund, the one percent fund, and the impact fund. Positive variances in tax revenues offset a negative expenditure variance in the general fund and ended the year with only a minor decrease of \$1,472. The other funds experienced slight increases of \$14,285 as anticipated. There was no unusual or significant fluctuations from what was expected.

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 \$915,281 (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 \$66,000 for a pumper and \$6,000 was a HVAC replacement. Depreciation expense was \$66,544 for the year.

	SHELDON TOWNSHIP FIRE DISTRICT CAPITAL ASSETS - NET OF DEPRECIATION	
	Governmental Activities	
	2011	2010
Land and Improvements	\$ 30,000	\$ 30,000
Buildings and Improvements	217,389	216,885
Furniture and Equipment	558,877	125,366
Vehicles	109,015	537,574
Total	<u>\$ 915,281</u>	<u>\$ 909,825</u>

Additional information on Sheldon's capital assets can be found in note 5 on page 22 of this report.

Long-term debt. At the end of the current fiscal year, Sheldon had long-term debt outstanding in the amount of \$554,236. The debt was attributable to the acquisition of fire trucks. A new lease was taken out in the amount of \$56,000 for the purchase of a pumper. Additional information can be found in notes to the financial statements on page 23 note 6.

SHELDON TOWNSHIP FIRE DISTRICT LONG-TERM DEBT OUTSTANDING

	Governmental Activities	
	2011	2010
Leases Payable	554,236	535,419
Total	<u>\$ 554,236</u>	<u>\$ 535,419</u>

Economic Factors and Next Year's Budgets

The operating budget for fiscal year 2011/2012 has been established at \$1,049,052 with 32.22 mills estimated to raise \$1,058,298 in taxes. This is compared to the budget for 2011 at \$1,040,352 at 32.22 mills. Additionally, 2.18 mills are to be levied for the debt service requirements for an approved budget of \$71,605 compared to 2.18 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, 2011**

ASSETS

Cash	\$	98,696
Receivables		54,745
Due from Beaufort County Treasurer		196,608
Capital Assets, not being depreciated		30,000
Capital Assets, being depreciated		885,281
Total Assets		<u><u>1,265,330</u></u>

LIABILITIES

Interest Payable	19,528
Noncurrent Liabilities:	
Due within one year	49,832
Due in more than one year	516,836
Total Liabilities	<u><u>586,196</u></u>

NET ASSETS

Unrestricted	225,688
Restricted for Debt Service	23,793
Restricted for Impact Fund	33,696
Restricted for One Percent Fund	34,912
Investment in Capital Assets, Net of Related Debt	361,045
Total Net Assets	<u><u>\$ 679,134</u></u>

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, 2011**

EXPENSES

Personnel Services	\$ 891,899
Materials and Supplies	165,520
Depreciation	66,544
Interest	26,507
Total Expenses	<u>1,150,470</u>

PROGRAM REVENUES

Operating Grants and Contributions	<u>30,100</u>
Total Program Revenues	<u>30,100</u>

GENERAL REVENUES

Taxes	1,089,168
Fees	21,830
Total General Revenues	<u>1,110,998</u>

Change in Net Assets (9,372)

Net Assets, beginning of year	<u>688,506</u>
Net Assets, end of year	<u>\$ 679,134</u>

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

**SHELDON TOWNSHIP FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	DEBT SERVICE FUND	ONE PERCENT FUND	IMPACT FEE FUND	
ASSETS					
Cash	\$ 98,696	\$ -	\$ -	\$ -	\$ 98,696
Receivables	51,284	3,461	-	-	54,745
Due from Beaufort County Treasurer	104,550	23,450	34,912	33,696	196,608
Total Assets	\$ 254,530	\$ 26,911	\$ 34,912	\$ 33,696	\$ 350,049
LIABILITIES AND FUND BALANCES					
Liabilities					
Deferred Revenue	\$ 46,074	\$ 3,118	\$ -	\$ -	\$ 49,192
Interest Payable	-	-	-	-	-
Total Liabilities	46,074	3,118	-	-	49,192
Fund Balances					
Unassigned	208,456	-	-	-	208,456
Restricted	-	23,793	34,912	33,696	92,401
Total Fund Balances	208,456	23,793	34,912	33,696	300,857
Total Liabilities and Fund Balances	\$ 254,530	\$ 26,911	\$ 34,912	\$ 33,696	\$ 350,049

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

**SHELDON TOWNSHIP FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

Total fund balances for governmental funds	\$	300,857
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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 \$80,628 accumulated depreciation		217,389	
Vehicles, net of \$451,633 accumulated depreciation		558,877	
Furniture and equipment, net of \$76,876 accumulated depreciation		109,015	
Total Capital Assets		915,281	915,281

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.			49,192
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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, 2011 are:

Interest Payable		(19,528)	
Annual Leave		(12,432)	
Notes Payable		(554,236)	
Total Long-Term Liabilities		(586,196)	(586,196)

Total net assets of governmental activities	\$	679,134
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**SHELDON TOWNSHIP FIRE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES				TOTAL
	GENERAL FUND	DEBT SERVICE FUND	ONE PERCENT FUND	IMPACT FEE FUND	
REVENUES					
Taxes	\$ 1,036,802	\$ 70,047	\$ -	\$ -	\$ 1,106,849
Fees	-	-	17,849	3,981	21,830
Other Income	30,100	-	-	-	30,100
Total Revenues	1,066,902	70,047	17,849	3,981	1,158,779
Expenditures					
Public Safety - Fire Protection					
Personnel Services	899,342	-	-	-	899,342
Materials and Services	153,032	-	12,488	-	165,520
Capital Outlay	72,000	-	-	-	72,000
Debt Service	-	65,104	-	-	65,104
Total Expenditures	1,124,374	65,104	12,488	-	1,201,966
Excess (deficiency) of revenues over (under) expenditures	(57,472)	4,943	5,361	3,981	(43,187)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	56,000	-	-	-	56,000
Total Other Financing Sources (Uses)	56,000	-	-	-	56,000
Net Change in Fund Balances	(1,472)	4,943	5,361	3,981	12,813
Fund balance, beginning of year	209,928	18,850	29,551	29,715	288,044
Fund balance, end of year	\$ 208,456	\$ 23,793	\$ 34,912	\$ 33,696	\$ 300,857

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, 2011**

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	\$	12,813
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 (\$72,000) was more than depreciation (\$66,544) in the current period.		5,456
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.		(56,000)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		37,183
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(17,681)
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.		
Annual Leave		7,443
Interest Payable		1,414
		<hr style="border-top: 1px solid black;"/>
Total change in net assets of governmental activities	\$	<u><u>(9,372)</u></u>

**SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, and collects taxes.

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.

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.

**SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 long-term obligations associated with financing arrangements. It accounts for all financial resources that are restricted for debt payment.

The *one percent fund* contains funds collected by Beaufort County as a tax collected from insurance companies and made available to the District for certain specific purposes. Those purposes include retirement and insurance, training and education, and recruitment and retention.

The *impact fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, including the general obligation bond payments.

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, 2011**

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, 2011**

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

The GASB has issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The following categories of fund balance are now being used in the fund level financial statements of the government funds:

Restricted Fund Balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

Unassigned Fund Balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund.

Based on the Sheldon's policies regarding fund balance classifications as noted above, Sheldon considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditures that has been designated by the Board of Commissioners or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

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.

**SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity - Continued

Fund Equity - Continued

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 a government'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.

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 \$56,000 was approved for the debt financing arrangements a new vehicle.

**SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2011 was \$121,452 while the book balance was \$98,696. 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, 2011 were as follows:

	Fund Statements	Government-wide Statements
Taxes Receivable	\$ 63,295	\$ 63,295
Allowance for Doubtful Accounts	(8,550)	(8,550)
Total Accounts Receivable	\$ 54,745	\$ 54,745

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:

	Unavailable	Unearned
Delinquent property taxes	\$ 49,192	\$ -
Total	\$ 49,192	\$ -

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, 2011**

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, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital assets, not being depreciated				
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>
Capital assets, being depreciated				
Buildings and improvements	292,017	6,000		298,017
Furniture and equipment	185,891			185,891
Vehicles	949,510	66,000	5,000	1,010,510
Total capital assets, being depreciated	<u>1,427,418</u>	<u>72,000</u>	<u>5,000</u>	<u>1,494,418</u>
Less accumulated depreciation for:				
Buildings and improvements	75,132	5,496		80,628
Furniture and equipment	60,525	44,697		105,222
Vehicles	411,936	16,351	5,000	423,287
Total accumulated depreciation	<u>547,593</u>	<u>66,544</u>	<u>5,000</u>	<u>609,137</u>
Total capital assets, being depreciated, net	<u>879,825</u>	<u>5,456</u>	<u>-</u>	<u>885,281</u>
Governmental activities capital assets, net	<u>\$ 909,825</u>	<u>\$ 5,456</u>	<u>\$ -</u>	<u>\$ 915,281</u>

Depreciation expense was \$66,544 for the year ended June 30, 2011. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
Public Safety Fire Protection	\$ 66,544
Total	<u>\$ 66,544</u>

NOTE 6 LONG TERM OBLIGATIONS

Changes in long term obligations were as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due within One Year</u>
Leases payable	\$ 535,419	\$ 56,000	\$ 37,183	\$ 554,236	\$ 47,844
Annual leave	19,875	-	7,443	12,432	1,988
Total	<u>\$ 555,294</u>	<u>\$ 56,000</u>	<u>\$ 44,626</u>	<u>\$ 566,668</u>	<u>\$ 49,832</u>

Interest paid for the year ended June 30, 2011, was \$27,921.

**SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 LONG TERM OBLIGATIONS - CONTINUED

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

	Balance
\$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 at 5.18%. Collateralized by fire trucks.	\$ 498,236
\$56,000 Lease payable to BB&T due in six annual installments of \$10,471 in May and continuing through and including fiscal year 2017. Payments include interest at 3.39%. Collateralized by a fire truck.	56,000
Total	\$ 554,236

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, 2011.

Year Ended June 30,	Amount
2012	\$ 75,576
2013	75,576
2014	75,576
2015	75,576
2016	75,576
2017-2021	335,996
Total Minimum Lease Payments	713,876
Less Amount Representing Interest	(159,640)
Net Present Value of Minimum Lease Payments	\$ 554,236

The following is an analysis of property under capital leases included in property and equipment at June 30, 2011:

Fire trucks and equipment	\$ 877,839
Accumulated depreciation	(322,173)
Net value of leased property	\$ 555,666

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, 2011 totaled \$12,432 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, 2011**

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 2010 was \$32,456,512.

The computation of legal debt limits is as follows:

Assessed value (\$32,456,512 X 8%)	\$ 2,596,521
General obligation debt at June 30, 2011	-
Excess of debt limit over general obligation debt	<u>\$ 2,596,521</u>

NOTE 7 PENSION PLAN OBLIGATIONS

Plan Description - As a condition of employment, all eligible District employees are required to participate in a pension plan. All firemen and law enforcement officers must belong to the South Carolina Police Officers Retirement System (SCPORS). All other eligible employees must belong to the South Carolina Retirement System (SCRS). Both plans are a cost-sharing multiple-employer Public Employee Retirement System (PERS) administered by the Retirement Division of the State Budget and Control Board. Retirement costs are funded by withholding from the employees' salaries, and by a contribution from the District of a percentage of the employees' salaries. Both Retirement Systems are administered by the South Carolina Retirement System, which is a state agency. The District has no fiduciary responsibility for or further liability for either of the retirement plans beyond their current contributions. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System may be obtained by writing to the South Carolina Retirement System, PO Box 11960, Columbia, South Carolina 29211.

Basic Provisions - Benefit provisions are established under the authority of Title 9 of the South Carolina Code of Laws. Under current statutes pertaining to the SCRS, member employees who retire at age 65 or after 28 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the average final compensation (average compensation over the last three years of credited service) times years of credited service. A member with at least 25 years of credited service who terminates employment may continue to pay employee and employer contributions until 28 years of credited service credit is reached. The contributions will be made through the most recent employer on a regular basis and remitted to the South Carolina Retirement System.

Under current statutes pertaining to the SCPORS, member employees who retire at age 65 or after 25 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 2.14 percent of average final compensation times years of credited service.

Member employees who are at least 60 years of age may elect early retirement in which case the full service benefit is reduced by 5 percent for each year the employee's age at retirement is less than 65. In either case, any unrecovered contributions are payable upon death and cost of living adjustments are evaluated annually on an ad hoc basis. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching 5 years of service. The SCRS and the SCPORS also provide life insurance, survivor and disability benefits to all member employees.

**SHELDON TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 PENSION PLAN OBLIGATIONS - CONTINUED

Funding Policy

South Carolina Retirement System (SCRS)

The District is required to contribute 9.39 percent which includes 0.15 percent towards group life insurance. The District's contributions for the years ending June 30, 2011, 2010, and 2009 were \$3,947, \$3,731, and \$3,670, respectively, and were equal to the required contributions for each year.

Police Officers Retirement System (PORS)

The District is required to contribute 11.13 percent which includes 0.40 percent towards group life insurance and survivor and disability benefits. The District's contributions for the years ending June 30, 2011, 2010, and 2009 were \$72,639, \$65,884, and \$61,340, respectively, for SCORS members and were equal to the required contributions for each year.

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	\$ 1,040,352	\$ 1,040,352
Financing of Vehicle	56,000	56,000
Final Budget	<u>\$ 1,096,352</u>	<u>\$ 1,096,352</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the District can be subject to various claims for workers compensation and other accidents. It is the opinion of the District that resolution of these matters will not have a materially adverse effect on the financial condition of the District.

NOTE 11 SUBSEQUENT EVENTS

The lease payable of \$513,182 was re-financed subsequent to year end with an annual payment of \$61,934 which includes interest of 5.135% over a ten year period.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

**SHELDON TOWNSHIP FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 1,040,352	\$ 1,040,352	\$ 1,036,802	\$ (3,550)
Miscellaneous	-	-	30,100	30,100
Total Revenues	1,040,352	1,040,352	1,066,902	26,550
EXPENDITURES				
Current				
Public Safety - Fire Protection				
Personnel Services				
Personnel salaries	670,678	670,678	663,096	7,582
Overtime	13,500	13,500	13,207	293
Volunteer Per Diem	1,500	1,500	1,500	-
FICA/Medicare	52,339	52,339	51,666	673
Retirement	78,885	78,885	76,511	2,374
Health insurance	51,000	51,000	50,215	785
Unemployment	1,500	1,500	1,503	(3)
Workman's Compensation	54,000	54,000	41,644	12,356
Total Personnel Services	923,402	923,402	899,342	24,060
Materials and Services				
Audit	4,800	4,800	5,000	(200)
Physicals	8,700	8,700	8,053	647
Utilities	12,500	12,500	15,268	(2,768)
Grounds Maintenance	600	600	2,067	(1,467)
Custodial	1,100	1,100	1,452	(352)
Buildings repairs and maintenance	5,000	5,000	11,053	(6,053)
Insurance	7,200	7,200	4,130	3,070
Equipment repairs and maintenance	5,500	5,500	6,155	(655)
Equipment and Vehicle Insurance	11,500	11,500	6,302	5,198
Membership and Subscriptions	850	850	209	641
Office Supplies	1,000	1,000	807	193
Postage	400	400	377	23
Printing	1,600	1,600	1,681	(81)
Telephone	3,700	3,700	2,899	801
Training	3,000	3,000	514	2,486
Uniform	4,000	4,000	4,250	(250)
Fuel	19,500	19,500	17,573	1,927
Vehicle repairs and maintenance	15,000	15,000	26,517	(11,517)
Fire Prevention	2,000	2,000	1,733	267
Small Tools	7,000	7,000	34,381	(27,381)
Miscellaneous	2,000	2,000	2,611	(611)
Total Materials and Services	116,950	116,950	153,032	(36,082)

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

**SHELDON TOWNSHIP FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Capital Outlay				
Capital Outlay	\$ -	\$ 56,000	\$ 72,000	\$ (16,000)
Total Materials and Services	-	56,000	72,000	(16,000)
Total Expenditures	1,040,352	1,096,352	1,124,374	(28,022)
Excess (deficiency) of revenues over (under) expenditures	-	(56,000)	(57,472)	(1,472)
OTHER FINANCING SOURCES (USES)				
Proceeds of Debt	-	56,000	56,000	-
Total Other Financing Sources (Uses)	-	56,000	56,000	-
Net changes in fund balances	-	-	(1,472)	(1,472)
Fund balance, beginning of year	195,643	195,643	209,928	14,285
Fund balance, end of year	\$ 195,643	\$ 195,643	\$ 208,456	\$ 12,813

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

**SHELDON TOWNSHIP FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	DEBT SERVICE FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 65,500	\$ 65,500	\$ 70,047	\$ 4,547
Total Revenues	<u>65,500</u>	<u>65,500</u>	<u>70,047</u>	<u>4,547</u>
EXPENDITURES				
Debt Service	65,500	65,500	65,104	396
Total Expenditures	<u>65,500</u>	<u>65,500</u>	<u>65,104</u>	<u>396</u>
Net Change in Fund Balances	-	-	4,943	4,943
Fund balance, beginning of year	<u>23,793</u>	<u>23,793</u>	<u>23,793</u>	<u>-</u>
Fund balance, end of year	<u>\$ 23,793</u>	<u>\$ 23,793</u>	<u>\$ 28,736</u>	<u>\$ 4,943</u>

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