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TODD VOLUNTEER FIRE DEPARTMENT
TODD, NORTH CAROLINA

Statement of Cash Receipts and Disbursement
For the Year Ending June 30, 2014

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Rec'd 12/19/14
Registered audit
12/22/14

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December 5, 2014

Robbie Jones
Todd Volunteer Fire Dept. Board of Directors
1062 NC Highway 194 S
Todd, NC 28684

To the Todd Volunteer Fire Department Board of Directors,

We have audited the cash receipts and disbursements of Todd Volunteer Fire Department for the year ended June 30, 2014, and have issued our report thereon dated December 5, 2014. Professional standards require that we provide you with the following information related to our audit.

Audit Findings

During the course of our audit, it was noted that during the June 30, 2014 year there were still a large number of debit card transactions, including high dollar amount transactions. We recommend all disbursements be by check, especially any in excess of \$100 in order to reduce the risk for fraud.

Another recommendation is that the Department should require dual signatures on all checks written in order to decrease the risk of any malfeasance. Currently only one signature is required.

During the course of our audit, it was noted that the Department currently pays monies to various firemen for various services performed. IRS requires that payments in excess of \$600 be reported on a 1099-misc, however we were informed this year that none had been issued. We strongly suggest that the Department place all regularly paid firemen on payroll as an employee and begin withholding the appropriate payroll taxes.

For the fiscal year ending June 30, 2014, the Department paid to, or on behalf of, the following members in excess of \$600:

Chief Chris Welch	\$51,155
Deputy Chief Joe Worley	\$27,481
Eric Miller	\$19,736
Board Treasurer Jason Eller	\$13,860
Matt Royal	\$2,436
Board Chairman Robbie Jones	\$2,000
Elizabeth Royal	\$1,818
Jakob Greene	\$1,245
Nancy Worley	\$962

These amounts do not include payments of cell phone and satellite television services which could also be taxable by the IRS.

In addition to the ones listed above, the following Officers of the Board of Directors were paid the following amounts:

Dean Williams	\$300.00
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According to the Department By-laws, Article VII, Sec. 3, Other than ordinary and necessary expenses incurred while carrying out the business of the Corporation, there shall be no compensation for the Officers.

As noted in the notes to the financial statements, the Department maintains a Fireman's Relief Fund which according the NC General Statute, requires pre-approval from the Executive Director of the North Carolina State Fireman's Association. According to the year ending financials on June 30, 2013, the balance in the account should have been \$12,276.34. In June of 2013, a withdrawal of \$1,897.71 was posted to the account. As of June 30, 2014, there are no records that this amount was repaid. The ending balance on June 30, 2013 was shown as \$10,378.63. When the Department changed banks in July of 2013, the Fireman's relief fund was established at Yadkin Bank for that amount. During the fiscal year ending June 30, 2014, more transactions occurred with this account with no records that these amounts were approved by the Executive Director of the North Carolina Fireman's Association. The Department has received two letters from the State citing violations of GS 58-84-3, stating that these funds cannot be co-mingled with other fund accounts, and recommending tighter controls on this account. It is therefore recommended that this account is either moved to another bank, or strict controls are put in place to prevent transfers, including electronic transfers, to and from the account. According to the information and records available, the account balance at the year ending June 30, 2014 should be \$13,580.77.

During the year contributions were made to the individual retirement funds for the chief and assistant chief for the Department. While these contributions were approved by the Board of Directors, there were funds transferred to three different accounts. These account statements were not provided for review and the monies could not be verified as to who owns the accounts that the funds were transferred. In addition, amounts were transferred from one of the accounts back to the general fund account of the Department. According to IRS regulations, only certain conditions allow withdrawal or distributions of funds from a retirement account before retirement without the amounts being subject to possible additional taxes and penalties assessed at the time of withdrawal.

We highly encourage execution of the above recommendations made to the Department in order to decrease the risks of theft, fraud, or misappropriations of funds and to help the department be more efficient.

This information is intended solely for the use of the Board of Directors and the management of the Watauga County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Bryce Holder CPA, PA

cc: Margaret Pierce, Watauga County Finance Director
Deron Geouque, Watauga County Manager

Todd Volunteer Fire Department
Statement of Cash Receipts and Disbursements
For the Year Ending June 30, 2014

	Restricted	Unrestricted
Beginning Cash Balance, July 1 2013	\$10,379	\$6,842
Intergovernmental Receipts		
Fire tax & County Allocation - Ashe County		118,350
Fire Tax - Watauga County		62,124
NC Fire Grant		21,000
Sales Tax -Watauga County		14,335
Blue Ridge Endurance LLC		3,716
Relief Fund Tax	1,304	
Other Funds		187
Donations		465
Interest Revenue		12
Borrowed From Restricted Funds		1,652
Loan Proceeds (Note 8)		144,425
Total Cash Receipts:	1,304	366,266
Cash Disbursements:		
Salaries & Stipends		102,064
Bonuses		5,080
Loan Payments (Note 9)		55,964
Interest Payments (Note 9)		24,734
Late Fees On Loan Payments (Note 9)		1,023
Equipment (Note 7)		54,457
Insurance		21,626
Utilities		21,967
Truck Repair & Maintenance		21,086
Building & Building Maintenance		9,770
Fuel		4,830
Firemen		2,932
Communications		2,108
Dues/Subscriptions		1,746
Misc. Expenditures		676
Meals		561
Postage		305
Office Supplies		277
Equipment Repair & Maintenance		249
Safe Deposit Box		55
Fireman's Pension Fund (Note 5)		1,960
Pension Contributions (Note 6)		30,128
Loaned to General Fund	1,652	
Bank Charges / NSF Fees		2,960
Total Cash Disbursements:	1,652	366,558
Ending Cash Balance as of June 30, 2014:	\$10,031	\$6,551

Todd Volunteer Fire Department
Notes to the Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies:

This financial statement is presented using the cash basis of accounting. Under this basis, revenues are recognized in the period collected and expenditures are recognized in the period paid. Fixed assets are expensed at the time of acquisition.

Note 2: Restricted Cash:

The ending balance in restricted cash reflects the balance in the Firemen's Relief Fund of 10,030.77. Any disbursements from the Firemen's Relief Fund must have approval by the NC State Firemen's Association. In 2014, there were multiple withdrawals from the fund totaling \$17,365. As of June 30, 2014, repayment to this fund totaled \$15,712.71. The ending balance as of June 30, 2014 should be 13,580.77. As of June 30, 2014, the Firemen's Relief Fund is owed \$1,652.29 from the General Funds Account for the year ending June 30, 2014. The correct balance in the account of \$13,580.77 consists of the \$12,276.34 balance less the withdrawal of 1,897.71 from June 27, 2012 which has never been repaid and the deposit from this year of \$1,304.43.

Note 3: Cash Receipts – Ashe County:

The cash receipts collected from fire tax, sales tax, and county allocations from Ashe County were \$118,350.

Note 4: Cash Receipts – Watauga County:

The cash receipts collected from fire tax, sales tax, and county allocations from Watauga County were \$76,459.

Note 5: Fireman's Pension Fund:

The Department participates in the Fireman's Pension Fund, a statewide, multi-departmental, defined benefit pension plan. All members are covered by the plan at a cost of \$10 per month per member. Members receive benefits of \$170 per month after reaching the age of 55 and completing 20 years of service. According to records, total contributions made during the year ending June 30, 2014 was \$1,960.

Note 6: Individual Pension Contributions:

During the year ending June 30, 2014, the Department also made contributions to individual retirement funds for the Fire Chief and the Assistant Fire Chief totaling \$30,128.

Note 7: Equipment Purchased:

During the year ended June 30, 2014, the Department made equipment purchases that totaled \$54,457.

Note 8: Loan Proceeds:

Loan Proceeds totaled \$144,425 for the year ending June 30, 2014. On July 25, 2013, a loan in the amount of \$375,000 was taken out to pay off the building loan with LifeStore Bank. The loan was used to pay-off the LifeStore building loan and the remaining \$38,443 was deposited into the General funds. This loan was approved by the Board of Directors in the May 2013 Meeting minutes, however the amount of the loan or the proceeds were not discussed. On February 6, 2014 a loan was taken out to cover a shortfall in General Funds in the amount of \$42,100. This loan was approved by the Board of

Directors in their February Meeting Minutes. On May 22, 2014 another loan was taken out to cover a shortfall in General Funds and to rebuild the Money Market Account in the amount of \$50,500. This loan was approved by the Board of Directors in their April Meeting Minutes.

Note 9: Principal and Interest Payments:

Total loan payments during the year totaled \$81,721. The payments were comprised of principal payments of \$55,964, interest payments of 24,734, and late fees on the loan payments of \$1,023.

On July 25, 2014, the Department executed a note for \$375,000 payable to Yadkin Bank. The note requires annual payments of \$24,146 for four years, and one balloon payment of \$345,282. The annual interest rate on this loan is 4 percent. The balance of June 30, 2014 was \$375,000.

On January 9, 2003 the Department executed a note for \$170,000 payable to the USDA rural development. The note requires annual payments of \$13,213 for 20 years with an annual interest rate of 4.625 percent. The balance at June 30, 2014 is \$74,917.

On April 13, 2010 the Department executed a note in the amount of \$248,721 payable to the USDA rural development. The note requires annual payments of \$18,304 for 20 years with an annual interest rate of 4 percent. The balance at June 30, 2014 is \$213,241.

On March 18, 2013, the Department executed a note in the amount of \$65,000 payable to LifeStore bank. The note requires 5 bi-annual payments of \$11,616 including 4 percent interest beginning September 18, 2013 with the final interest and principal payment due March 18, 2016. The balance at June 30, 2014 is \$43,404.

On June 7, 2013, the Department executed a note in the amount of \$40,000 payable to Yadkin Bank. The note requires quarterly payments of 2,790 with an annual interest rate of 5 percent beginning September 7, 2013. The balance at June 30, 2014 is \$32,883.

On February 6, 2014, the Department executed a note in the amount of \$42,100 payable to Yadkin Bank. The note requires 59 monthly payments of \$823 beginning on March 6, 2014 and one payment of 814 on February 6, 2019. The annual interest rate is 6.35 percent. The balance as of June 30, 2014 is \$39,609.

On May 22, 2014, the Department executed a note in the amount of \$50,500 payable to Yadkin Bank. The note requires 7 semi-annual payments of \$7,261 beginning on November 21, 2014 and 1 payment of \$7,261 on May 21, 2018. The balance at June 30, 2014 is \$50,500.

The following is an estimated summary of maturities of long term debt:

2015	\$114,446
2016	\$112,717
2017	\$91,214
2018	\$70,185
2019	\$383,370
Thereafter	<u>\$181,754</u>
	<u>\$935,686</u>