

TODD VOLUNTEER FIRE DEPARTMENT

AGREED-UPON PROCEDURES

JUNE 30, 2016

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To Watauga County and
Todd Volunteer Fire Department

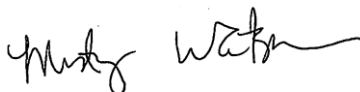
We have performed the agreed-upon procedures in Exhibit A for Todd Volunteer Fire Department, (Fire Department) as of June 30, 2016. These agreed-upon procedures were agreed to by Watauga County to assist with assessing the financial condition of the Fire Department as of June 30, 2016.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Fire Department. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are presented in the accompanying report, noted as Exhibit A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Misty D Watson, CPA, PA
Boone, NC
December 4, 2016

**Todd Volunteer Fire Department
Agreed-Upon Procedures and Finding
June 30, 2016**

Our procedures applied to the Fire Department and related findings are as follows:

Procedures	Findings
1. Fire Department Internal Controls – Reviewed Internal Controls with the Fire Department’s personnel and reported any minor or major weaknesses.	The Fire Department does not require dual signatures on checks. The Fire Department does not provide revenue and expenses at the board meetings. The bank accounts are not reconciled monthly and revenues and expenses are not accounted for. When checks are signed, the invoice is not attached to the check. We noted the Fire Department is late on Life Store Bank loan payments. We recommend dual signatures in the future and when invoices are paid, the invoice be attached to the check. We recommend the Treasurer reconcile the bank accounts monthly and provide the Fire Department with a monthly revenues and expenditures financial statement. We recommend the Fire Department track revenues and expenses monthly to ensure cash flow is adequate for debt service.
2. Examined the Board minutes.	No exceptions noted
3. Cash – Verified the balance per year-end bank reconciliations to corresponding ending balances of the bank statements and balances of the Fire Department’s general ledger.	No bank reconciliations or accounting performed for all four cash accounts. We noted Chris Welch and Joe Worley are paid by transfers. We recommend reconciling the bank accounts monthly. We also recommend Chris Welch and Joe Worley be paid by check and not transfers.
4. Ensured, if applicable, all 1099’s and W-2’s were issued.	The Fire Department filed no 1099’s or W-2’s in the current fiscal year. The Fire Department during the fiscal year, paid two individuals weekly amounts. Under IRS Publication 15-A, these individuals are considered employees under the definition of common-law employees and must have withholdings for income, social security, and Medicare taxes on wages. The two employees’ compensation for the fiscal year were Chris Welch \$35,140, Joe Worley \$23,060 and Andrew Tester \$1,330. In addition, the health insurance paid for Joe Worley and Chris Welch totaling \$16,996 for

Procedures	Findings
	the fiscal year is subject to income, social security and Medicare taxes and should be accounted for in wages. We recommend the Fire Department immediately comply with IRS regulations regarding employees and independent contractors.
5. Examined loan payments to ensure all balances were current.	We noted Life Store Bank loan payments were past due at year-end. We recommend the Fire Department track revenues and expenses monthly to ensure cash flow is adequate for debt service.
6. Ensure the Fire Department has received a letter from the State regarding the Firemen’s Relief Fund and all expenditures from the Firemen’s Relief Fund were appropriate in nature.	The Fire Department transferred \$7,100 to Chris Welch’s personal account. No approval was completed by the Fire Department which results in a violation. These funds are required to be replenished to the Relief Fund. We recommend the Fire Department receive approval before disbursements are released.
7. Selected receipts and expenditures recorded during the test period from the general ledger and traced to supporting documentation as deemed necessary.	Majority of receipts were in no order and we found it difficult to find specific transactions. We were able to test 7 of the 12 transactions without exception. The remaining 5 receipts/invoices were not located. We recommend a filing system be put in place immediately.
8. Compared payments received from Watauga County to the Fire Department to ensure completeness.	No exceptions noted. Watauga County held no fire or sales tax payments as of June 30, 2016.

**Todd Volunteer Fire Department
Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2016**

		Restricted		Unrestricted
Cash Balance, July 1, 2015	\$	7,462	\$	(149)
 Cash Receipts:				
Watauga County sales tax		-		22,870
Watauga County fire tax		-		64,531
Ashe County fire tax		-		112,568
Ashe County allocation		-		12,000
North Carolina Department of Insurance		1,154		-
Miscellaneous income		-		3,261
		1,154		215,230
 Total Cash Receipts				
 Cash Disbursements:				
Bank charges		15		224
Contract labor		7,100		52,430
Dues		-		580
Health insurance reimbursement - contract labor		-		16,996
Insurance		-		16,484
Interest payments on notes payable		-		23,459
Meetings and meals		-		18
Office expense		-		639
Operating supplies		-		2,618
Pension		-		1,200
Principal payments on notes payable		-		80,534
Repairs and maintenance		-		4,601
Stipends		-		1,492
Telephone		-		3,464
Training		-		698
Utilities		-		5,751
Vehicle expense		-		1,335
		7,115		212,523
 Total Cash Disbursements				
Cash Balance, June 30, 2016	\$	1,501	\$	2,558

**Todd Volunteer Fire Department
Notes to the Financial Statements
June 30, 2016**

Note 1 - Summary of Significant Account Policies:

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

Note 2 - Cash Balances:

The cash balance as of June 30, 2016, consisted of the following:

Unrestricted:

Operating account	2,558	
Total unrestricted cash		\$ 2,558

Restricted:

Firefighter's relief fund	1,501	
Total restricted cash		\$ 1,501

Note 3 - Cash Receipts – Watauga County Sales Tax:

The Fire Department receives monthly allocations of sales tax from Watauga County.

Note 4 - Cash Receipts – Watauga and Ashe County Fire Tax:

The Fire Department receives monthly tax collected by Watauga and Ashe County from June 2015 through May 2016. The June 2016 tax collections are remitted in July 2016 and therefore are not included in receipts in the current year.

Note 5 - Firemen’s Pension Fund:

The Fire Department participates in the Firemen’s Pension Fund, a state-wide, 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.

Todd Volunteer Fire Department
Notes to the Financial Statements
June 30, 2016

Note 6 - Notes Payable:

On January 9, 2003, the Fire Department executed a twenty year note for \$170,000 payable to USDA Rural Development. The note requires annual payments of \$13,213 at an interest rate of 4.625%. The note is collateralized by a fire truck. The balance as of June 30, 2016 was \$54,970.

On April 13, 2010, the Fire Department executed a twenty year note for \$248,721 payable to USDA Rural Development. The note requires annual payments of \$18,304 at an interest rate of 4%. The note is collateralized by a fire truck. The balance as of June 30, 2016 was \$193,570.

On March 18, 2013, the Fire Department executed a three year note for \$65,000 payable to Life Store Bank. The note requires semi-annual payments of \$11,616 at an interest rate of 4%. The balance as of June 30, 2016, was \$32,206 and was not paid in full as agreed upon in the loan documents.

On June 7, 2013, the Fire Department executed a four year note for \$40,000 payable to Yadkin Bank. The note requires quarterly payments of \$2,790 at an interest rate of 5%. On June 28, 2016, the note was modified for the following terms: one balloon payment of all outstanding principal, accrued interest, fees and costs due on or before February 1, 2017 at 5.0% interest. The balance, including principal, interest, and late charges as of June 30, 2016, was \$2,196.

On July 25, 2013, the Fire Department executed a five year note for \$375,000 payable to Yadkin Bank. The note requires annual payments of \$24,146 for four years and a balloon payment of \$345,282 due in 2019 at an interest rate of 6.44%. On June 28, 2016, the note was modified for the following terms: annual payments of \$25,107 commencing February 1, 2017 on an amortization period of twenty-five years with one balloon payment of all outstanding principal, accrued interest, fees and costs due on or before February 1, 2019 at 4.0% interest. The balance, including principal, interest, and late charges as of June 30, 2016, was \$398,390.

On February 6, 2014, the Fire Department executed a five year note for \$42,100 payable to Yadkin Bank. The note requires monthly payments of \$823 at an interest rate of 6.35%. On June 28, 2016, the note was modified for the following terms: annual payments of \$7,584 commencing February 1, 2017 on an amortization period of five years with one balloon payment of all outstanding principal, accrued interest, fees and costs due on or before February 1, 2021 at 6.35% interest. The balance, including principal, interest, and late charges as of June 30, 2016, was \$32,424.

**Todd Volunteer Fire Department
Notes to the Financial Statements
June 30, 2016**

Note 6 - Notes Payable (continued):

On May 22, 2014, the Fire Department executed a four year note for \$50,500 payable to Yadkin Bank. The note requires semi-annual payments of \$7,261 at an interest rate of 6.44%. On June 28, 2016, the note was modified for the following terms: annual payments of \$5,213 commencing February 1, 2017 on an amortization period of twenty years with one balloon payment of all outstanding principal, accrued interest, fees and costs due on or before February 1, 2019 at 6.35% interest. The balance, including principal, interest, and late charges as of June 30, 2016, was \$59,565.

The following is a summary of principal maturities of long-term debt:

	Principal	Interest	Total
2017	\$ 80,566	23,557	104,123
2018	39,403	30,018	69,421
2019	457,582	28,185	485,767
2020	30,854	8,247	39,101
2021	28,608	6,527	35,135
Thereafter	136,308	28,617	164,925
Total	<u>\$ 773,321</u>	<u>125,151</u>	<u>898,472</u>

Note 7 - Related Party:

The Fire Department made advances to Mr. Chris Welch, the fire chief, totaling \$37,903 during the year ended June 30, 2015. Of the advances, \$10,390 has been paid to the Fire Department for the year ended June 30, 2015. The January 5, 2015 Board minutes state the Fire Department may make advances to Chief Welch to use in starting a new business and the advances will be paid back in a few months. If the advances were not repaid, the Fire Department could hold the pay of the fire chief. No dollar amount or specific deadline was noted in the minutes. No balances were repaid during the 2015/2016 fiscal year. The balance as of June 30, 2016, totaled \$27,513.