



REQUEST FOR BOARD ACTION

ITEM NO. 10.

DATE OF MEETING: February 6, 2012

REQUESTED BY: Tom Collins, Emergency Management Director; Chief Lanier, Hampstead Volunteer Fire Department

SHORT TITLE: Resolution Approving Tax Exempt Refinancing Loan for Hampstead Volunteer Fire Department

BACKGROUND: The department currently has a USDA loan for two fire engines with a balance of \$346,000. The department has an opportunity to refinance the loan with another institution (First Citizens Bank) which will result in a savings of over \$18,000 over the term of the loan.

A comparison of the terms follows:

	<u>Current USDA Loan</u>	<u>Proposed First Citizens Loan</u>
Principle:	\$346,000	\$346,000
Term:	7 years	7 years
Rate:	4.25%	2.85%
Reserve Required:	\$63,222	\$0

SPECIFIC ACTION REQUESTED: To adopt a resolution approving the loan refinancing with First Citizens Bank and authorizing the County Clerk to certify the approval as provided on the County Approval forms (attached).

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

AMP
Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the Board hereby approves refinancing of the Hampstead VFD equipment loan in the amount of \$346,000 with First Citizens Bank at the terms proposed, and further authorizes the County Clerk to certify the Board's approval on the County Approval forms as required by the financial institution.

The Chairman/County Manager is authorized to execute any/all documents necessary to implement this resolution.

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Brown ___ Tate ___ Rivenbark ___ Ward ___ Williams ___

George R. Brown, Chairman Date

ATTEST Date

COUNTY APPROVAL

STATE OF NORTH CAROLINA

COUNTY OF PENDER

CERTIFICATE OF CLERK RE APPROVAL OF TAX-EXEMPT LOAN TO VOLUNTEER FIRE DEPARTMENT BY BOARD OF COMMISSIONERS

The undersigned, being the duly qualified Clerk of PENDER County, North Carolina, does hereby certify that the following is a true and accurate copy of a Resolution passed by the Board of Commissioners of PENDER County, North Carolina, at its regular/special meeting on the ____ day of _____, 20__, which Resolution was duly introduced, seconded, and approved, and that said Resolution remains in full force and effect:

"NOW, THEREFORE, BE IT HEREBY RESOLVED, that the Board of Commissioners of PENDER County, North Carolina does hereby approve (within the scope of the qualifying language set forth below) a tax-exempt loan to the HAMPSTEAD VOL FIRE & RESCUE [name of Volunteer Fire Department] (the "VFD") from First-Citizens Bank & Trust Company in the principal amount of \$ 346,000, which loan is for the following purpose (check applicable purpose):

1. () for the construction of a fire station for the VFD, (cross out the following if not applicable) including the purchase of the underlying real property.
2. () RE-FINANCE the purchase by the VFD of a fire truck or fire trucks, and

which fire truck(s) and/or fire station will be owned and operated by the VFD at the following address:

15840 US Hwy 17N.
(Street Address)

HAMPSTEAD, NC 28443
(City and State)

RESOLVED, FURTHER, that the approval of the loan to the VFD set forth above is given solely for purposes of the public approval requirements for tax-exempt financing applicable to the VFD because of Section 150(e)(3) and Section 147(f) of the Internal Revenue Code of 1986, as amended, and such approval does not obligate the County or its Board of Commissioners in any way regarding repayment of the debt."

Duly certified by the execution hereof and the placing hereon of the seal of the said County, this the ____ day of _____, 20__.

(Clerk's Seal)

CLERK

County, North Carolina

COUNTY APPROVAL

STATE OF NORTH CAROLINA
COUNTY OF PENDER

CERTIFICATE OF CLERK RE APPROVAL OF TAX-EXEMPT LOAN AND WRITTEN AGREEMENT TO VOLUNTEER FIRE DEPARTMENT BY BOARD OF COMMISSIONERS

The undersigned, being the duly qualified Clerk of PENDER County, North Carolina, does hereby certify that the following is a true and accurate copy of a Resolution passed by the Board of Commissioners of PENDER County, North Carolina, at its regular/special meeting on the _____ day of _____, 20____, which Resolution was duly introduced, seconded, and approved, and that said Resolution remains in full force and effect:

"NOW, THEREFORE, BE IT HEREBY RESOLVED, that the Board of Commissioners of PENDER County, North Carolina does hereby approve (within the scope of the qualifying language set forth below) a tax-exempt loan to the Hampstead VOLUNTEER FIRE & RESCUE [name of Volunteer Fire Department] (the "VFD") from First-Citizens Bank & Trust Company in the principal amount of \$ 346,000, which loan is for the following purpose (check applicable purpose):

1. for the construction of a fire station for the VFD, (cross out the following if not applicable) including the purchase of the underlying real property.
2. ^{REFINANCE} the purchase by the VFD of a fire truck or fire trucks, and

which fire truck(s) and/or fire station will be owned and operated by the VFD at the following address:

15840 US Hwy 17 N
(Street Address)

Hampstead, NC 28443
(City and State)

RESOLVED, FURTHER, that the approval of the loan to the VFD set forth above is given solely for purposes of the public approval requirements for tax-exempt financing applicable to the VFD because of Section 150(e)(3) and Section 147(f) of the Internal Revenue Code of 1986, as amended, and such approval does not obligate the County or its Board of Commissioners in any way regarding repayment of the debt.

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the County Board of Commissioners of PENDER County, North Carolina hereby does approve a written agreement requiring the provision of fire fighting services to the County by the VFD in the form of the written agreement attached hereto as an exhibit and incorporated by reference herein.

RESOLVED, FURTHER, that _____ [State Title of Officer] of the County Board of Commissioners hereby is authorized to execute on behalf of the County a written agreement with the VFD in the form of the written agreement attached hereto as an exhibit and incorporated by reference herein."

Duly certified by the execution hereof and the placing hereon of the seal of the said County, this the _____ day of _____, 20____.

(Clerk's Seal)

CLERK

COUNTY, North Carolina

NORTH CAROLINA)
PENDER COUNTY)

**FIRE DEPARTMENT FUNDING AGREEMENT
AND AUTOMATIC AID AGREEMENT**

THIS AGREEMENT, made and entered this 17 day of October, by and between **PENDER COUNTY**, North Carolina, a political subdivision of the State of North Carolina, hereinafter referred to as "County"; and **Hampstead Volunteer Fire Rescue**, a political subdivision organized under the laws of the State of North Carolina, having its principal office in Pender County, North Carolina, hereinafter referred to as "Department";

WITNESSETH:

WHEREAS, the Department has agreed to provide continuing fire protection service within its primary area of coverage, and the other areas on the basis of mutual aid contracts with other County Fire Departments for the benefit of the citizens of Pender County; and

WHEREAS, the Department has requested County to assist in the funding of above-described services by collecting and distributing a county-wide service district tax; and

WHEREAS, G.S. 153A-11, 153A-13, 153A-305 authorize County to provide the Department with financial support for the above described services;

NOW, THEREFORE, in consideration of the mutual benefits inuring to the parties hereto, and based upon the mutual covenants contained herein and the considerations stated therein, the parties do hereby covenant and agree as follows:

I. Purpose of Agreement and the Department's Use of Funds

A. Purpose of Agreement - County shall provide funds to the Department for the provision of continuing fire protection, as follows:

(1) The Department shall provide continuing fire protection service consistent with the levels of equipment, personnel and training required by the North Carolina Department of Insurance to all citizens of the Service District as defined in Exhibit A, maintain through the Office of State Fire Marshal at least a 9E/9S rating for the insurance district, whether 5-mile or 6-mile, covered by the department, and will respond to automatic and mutual aid calls by the County Dispatcher with back-up assistance as called upon, at the Chief's discretion. For purpose of this Agreement, "Mutual Aid" is defined as requests for assistance when requesting fire department has exhausted all of its available resources and the department called for mutual assistance has available resources to send, as determined by the on-duty supervisor of the squad from which mutual aid is requested.

(2) The Department will respond simultaneously, upon the initial call of a structure fire with the neighboring department in which the Computer Aided Dispatch System (CAD) has identified them as the automatic aid department, with a piece of fire apparatus capable of carrying 1,000 gallons of water or more.

(3) The Department will assist the County during a declared County State of

(3) The Department will assist the County during a declared County State of Emergency in the clearance of debris on roadways within the fire district or other emergency protective actions as requested by County officials through the Emergency Operations Center. The department shall be reimbursed by the County for the use of its equipment during said period of assistance according to either a pre-established local or state hourly rate, or for those instances in which costs are reimbursed by the Federal Emergency Management Agency (FEMA), the FEMA eligible direct costs shall be determined in accordance with 44 C.F.R. 206.228. The reimbursable costs and expenses, with an itemized notice, shall be forwarded to the County as soon as practical after the costs and expenses are occurred, but not later than sixty (60) days following the period of assistance. The Department will make its expense and reimbursement request to the County in a format consistent with state and federal reporting procedures. The County agrees to reimburse the department within 90 days of receipt of request for reimbursement. Time frames spelled out under this provision of this contract may be modified in writing by mutual agreement. This shall not preclude the Department from assuming or donating in whole or in part, the costs and expenses associated with any loss, damage, or used of equipment.

(4) The County shall operate a communication system sufficient to alert the Department and other agencies of fires that occur in the County. The maintenance of Department owned communications equipment is the responsibility of the Department. The County Central Dispatch shall be responsible for the dispatch of the fire departments with their primary, automatic, and mutual aid areas of coverage.

A. Description of the Department's Service Area - The Department's service area is defined in Exhibit A, attached hereto and incorporated herein by reference.

B. Term of Agreement - The term of this agreement shall be from the date of execution through June 30, 2014; provided, however, that in the event no replacement contract is executed covering this service district, this contract shall be extended annually under the same terms and conditions unless it is cancelled by written notice mailed to the other party one hundred eighty (180) days prior to termination. The parties agree to meet and review the contract every third year following the date of execution.

C. Payment - For their services, County agrees to pay to the Department the full amount of fire service district taxes collected from the Department's service area, to be paid on a monthly basis via electronic funds transfer. Effective with the FY 12-13 fiscal year, if the Department does not collect at least \$100,000 dollars annually in fire service area taxes, then the County will supplement the Department's Fire Tax Collections in order to bring them up to \$100,000 dollars per annum. The County shall furnish to the Department by October 1st of each year an accounting of all Fire Taxes collected during the preceding fiscal year. Fire district tax funds will not be paid to the Department unless this contract is properly approved, executed, and on file at the County Manager's Office, no later than June 30 of the current year.

D. Maintenance of Revenues - Should a revaluation of a Department's fire tax service district result in negative growth value of the district such that revenues received by the department would place an unnecessarily hardship in performing its duties under this agreement, the County will review the Department's budget and consider an adjustment of the tax rate for that district to maintain it revenue levels. This does not preclude the County from reducing the

tax rate should revaluation yield a substantial increase in value for the district.

E. Disposing of Fixed Equipment – The Department shall, prior to the offer thereof to agencies outside of Pender County, offer its surplus equipment to other fire departments within Pender County.

F. Assets Should Department Dissolve - Should the Department voluntarily disband, dissolve or otherwise become unable to provide fire protection service for their service area, or fail to maintain at least a 9E/9S fire insurance rating from the NC Department of Insurance, any and all equipment and other assets acquired by the use of fire district tax funding (in whole or in part) will revert to Pender County, which shall follow the recommendation of the Pender County Fire Commission to the County Commissioners for approval as to final disposition. To protect the service district tax payers, the County Commission will assure that this equipment and other assets will be used for fire protection in the service area formerly served by the Department.

II. Minimum Standards

A. Staffing on Scene – The Department shall maintain standard operating guidelines, which shall be available for review by the Fire Marshal upon request, that address adequate staffing to operate safely on all types of incidents and, as applicable to emergency response services.

B. PCFFA/PC Fire Commission – The Department shall use reasonable efforts to ensure the presence of a representative at eighty percent (80%) of the scheduled meetings of PCFFA and PC Fire Commission over a twelve (12) month period.

C. NIMS – The Department shall arrange for the National Incident Management System (“NIMS”) staff training, as required in accordance with Homeland Security Presidential Directive-5 (Management of Domestic Incidents) including, but not limited to, ICS100, ICS200 and NIMS 700.

D. District Coverage – The Department shall, if it chooses to participate in events such as out of district events, ensure that adequate fire protection is available for Fire Department District in its absence.

E. Reporting – The Department shall participate in the National Fire Incident Reporting System (“NFIRS”) and provide copies of its reports, which should be provided by approved electronic format, to the Pender County Emergency Management Office.

F. Fees – The Department shall furnish its fire protection and emergency services free of charge to all persons and property located within the Fire Department District except that a fee may be charged for the cost of materials, and equipment depreciation, expended in the course of a response, in the course of its obligations under this Contract, to a release or potential release of hazardous substances or large scale events outside of day-to-day operations. The Pender County ordinance entitled Pender County Hazardous Materials Emergency Cost Recovery Ordinance adopted on May 5, 2003, shall govern these fees.

G. Pre-Incident Surveys – The Department should endeavor to develop, and annually update, pre-fire incident surveys for all commercial buildings within the Fire Department District. The County shall direct the Fire Marshal to assist the Fire Department, upon request, in the development of a pre-fire incident survey for buildings within the Fire Department District and within the area for which the Fire Marshal is responsible for enforcement of the applicable fire codes.

H. Fire Investigation – The Department officer in charge shall attempt to determine the origin and cause of each fire. If the officer is unable to determine the origin and cause of the fire, if the cause is suspected to be incendiary in nature, or if there is any injury and/or death from the fire requiring treatment by and transport to a medical facility, the officer shall request the assistance of a representative of the Fire Marshal to provide reasonable assistance thereto.

I. Water Supplies – The Department shall maintain standard operating guidelines, which shall be available for the Fire Marshal upon request, related to static water point and fire hydrant testing and maintenance. All fire hydrant testing shall be done with approval and coordination with the Pender County Utilities or proper water utility prior to any water flowing. The Fire department should ensure, and maintain appropriate records thereof, that each static water point and wet and dry fire hydrant in the Fire Department District is flushed and checked, at least annually, for accessibility, functionality, visibility, and operation.

III. Termination of Agreement; Breach of Agreement

Each party shall have the right to terminate this Agreement by giving the other party one hundred eighty (180) days written notice of termination. In the event of termination, the Department shall only be entitled to a pro rata share of the fire district tax collected during the fiscal year based on the length of time that the contract was in effect. In the event the Department loses its Department of Insurance certification of meeting a 9S/9E standard, the County may terminate the contract on giving thirty (30) days written notice. In addition, the Department shall provide County with a financial accounting, as required by County, for all funds received by the Department and on hand up to date of termination.

IV. Department Financial Reporting Requirements

A. Annual Audit – Within sixty (60) days of the end of the Department's fiscal year, which extends from July 1 through June 30, the Department shall provide the County with all the information necessary to complete a full financial accounting or provide the County with an audit from a recognized CPA firm. If the Department contracts with a separate CPA firm, the audit report is due within one hundred twenty (120) days of the end of the fiscal year.

B. Financial Records - The Department shall establish fiscal control and accounting procedures in accordance with generally accepted accounting principles. The procedures shall account for all funds paid by the County to the Department, and the Department shall maintain such records for three (3) years after the date of termination of the contract.

C. County Access to Financial Records – The Department shall allow the County Manager, or his designee, access to and the right to inspect and copy at reasonable hours and upon reasonable notice, all financial records concerning county funds.

D. Approval of Purchases Requiring Loans/Lease - Debt service shall not exceed 25% of annual tax revenue received from the County without the consent of the Pender County Board of County Commissioners. In order for the County to be aware of all potential financial liability, any asset purchased through a loan or lease process with a financial company must be submitted to the County Finance Officer for certification that the total debt service of the department including the proposed loan does not exceed 25% of the annual tax revenue received from the County. Loans/Leases must be approved by the County Commission in cases where the total debt service will exceed 25% of the annual tax revenue.

E. Purchasing and Financing Bids - The Department shall seek competitive bids for the purchase of materials or equipment for which the cost is estimated to exceed \$30,000 or greater. The Department shall also seek competitive bids on the financing of any equipment, apparatus, or real property to be purchased through financing arrangements.

F. Annual Budget Request - The Department shall furnish to the County on or before April 1 of each year, a proposed operating and capital budget estimating expenditures and revenues for the next budget year beginning July 1, including the proposed district tax rate. The County acknowledges that there may be changes in the proposed budget and final budget based upon actual expenditures and revenues. The Department shall also maintain a Capital Improvement Plan (CIP), which should include capital improvements and capital expenditures (defined as those \$5,000 or greater in cost forecasted for at least five (5) years, in accordance with standards developed by the Fire Department Board of Directors. The CIP shall be submitted annually with the proposed budget.

G. Annual Training Cooperation - The Department agrees to support and work jointly and cooperatively with the Pender County Emergency Management Office in development of and participation in one or more annual training sessions and in ongoing evaluations of emergency scene performance. The cost of any training shall be funded through the Pender County Emergency Management Office.)

H. Fire Station Construction/Renovation – The Department shall consult with the County Fire Marshal in considering new fire station locations and major renovations where the use of service district tax funds is proposed.

I. Fixed Assets – The Department shall maintain an accurate fixed asset inventory, which shall be available for review by the County, for each piece of equipment with a book value of \$5,000.00 or greater with a life span of (5) five years or more.

V. Conflict of Interest Policy

The Department shall adopt and implement a Conflict of Interest Policy no later than December 31, 2011. The Department's policy shall conform to the model policy developed and approved by the Fire Commission.

VI. Independent Contractor

The Department understands and agrees that, in entering into this Agreement and providing

services, it is acting as an independent contractor. Neither the Department, nor its employees, members nor personnel shall be deemed or construed to be employees of Pender County. The Department shall remain in complete operational control of its vehicles, program, volunteers, assistants and employees. The Department shall be responsible for any on the job injuries to its agents, volunteers, or employees. The Department shall control the hours, manner, and methods of providing fire suppression coverage by their volunteers, employees and all other persons acting in their behalf. The Department shall maintain insurance coverage covering their activities.

VII. Indemnity Agreement

The Department shall indemnify and save harmless Pender County from any and all liability and expenses, including attorney's fees, court costs, and other costs incurred by Pender County as a result of the negligence of the Department, its agents and employees in the performance of this contract.

VIII. Entire Agreement

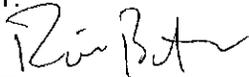
This Agreement, with exhibits, constitutes the entire understanding of the parties and contains all of the terms agreed upon with respect to the subject matter hereof. No modification or rescission of this Agreement shall be effective unless evidenced by a writing signed by both parties to this Agreement.

Any prior contracts between the parties hereto are hereby declared null and void as to the parties to this Agreement, save and except any prior agreement which has as its third party beneficiary any financial institution for the purpose of a loan guarantee. The portion(s) of said agreement setting out the loan guarantee shall be incorporated in this contract by reference.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals, by authority duly given, on the date first above written.

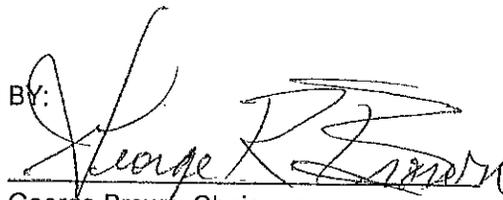
PENDER COUNTY
(CORPORATE SEAL)

ATTEST:



Rick Benton
Clerk to the Board of Commissioners

BY:



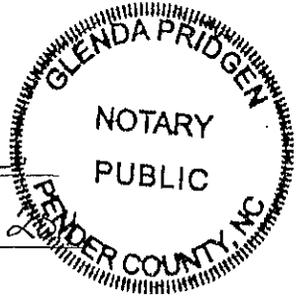
George Brown, Chairman
Board of Commissioners

I, Glenda Bridger, a Notary Public of the State and County aforesaid, certify that personally appeared before me this day and acknowledged that he is Clerk to the Board of

Commissioners of Pender County, and that by authority duly given and as the act of the Board, the foregoing instrument was signed in its name by its Chairman, sealed with its official seal and attested by himself as its Clerk.

WITNESS my hand and official seal, this 17th day of October, 2011.

Glenda Bridgen
Notary Public
My Commission Expires: 5/23/2012



Hampstead Vol. Fire Rescue VOLUNTEER FIRE DEPARTMENT

(CORPORATE SEAL)

ATTEST:

Terrence Collins
Secretary

BY:

[Signature]
President

I, Kelly L. Jacobson, a Notary Public of the State and County aforesaid, certify that Terrence Collins personally appeared before me this day and acknowledged that (s)he is Secretary of the Hampstead Vol Fire Fire Department, a non-profit corporation and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President and attested by him/herself as its Secretary.

WITNESS my hand and official seal, this 17th day of October, 2011.

Kelly L. Jacobson
Notary Public
My Commission Expires: 9-12-2016

Hampstead Volunteer Fire & Rescue, Inc.
Hampstead, North Carolina
STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS
Year Ended June 30, 2011

INDEX

June 30, 2011

Independent Auditor's Report

Exhibit A - Statement of Cash Receipts and Disbursements

Notes to the Financial Statements



CERTIFIED PUBLIC ACCOUNTANTS
4024 Oleander Drive Suite 2
Wilmington, North Carolina 28403
Telephone (910) 799-4872 Fax (910) 395-4872

Independent Auditor's Report

To the Board of Directors
Hampstead Volunteer Fire & Rescue, Inc.

We have audited the accompanying statement of cash receipts and disbursements of the Hampstead Volunteer Fire & Rescue, Inc. (a non-profit organization) for the year ended June 30, 2011. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement 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 statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Hampstead Volunteer Fire & Rescue, Inc. for the year ended June 30, 2011, on the basis of accounting described in Note 1.

Respectfully submitted,

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

*Wilmington, NC
September 2, 2011*

Hampstead Volunteer Fire Rescue, Inc.
Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2011

Exhibit A

See Independent Auditor's Report

Beginning Book Balance, July 1, 2010		
First Citizen's - Operating Checking	\$	10,385.88
First Citizen's - Savings		85,513.24
First Federal - Money Market		66,547.01
RBC Fund Raising		7,949.61
RBC - Money Market		5,286.11
Carolina First - Money Market		98,450.21
Book balance, Cash: 7/1/10	\$	274,132.06
Plus Receipts:		
Fire District Fees		511,557.17
Fund Raising		16,433.03
Donations		3,863.99
Interest		698.86
Sales Tax Refunds		17,135.90
Loan Proceeds		131,750.00
Misc Income		3,128.63
		<u>684,567.58</u>
Total Cash Receipts		684,567.58
Total Available		958,699.64
Less Disbursements:		
Apparatus Expense		16,375.30
Bank Charges		105.37
Donations & Contributions		300.00
Dues & Subscriptions		1,576.00
Equipment		46,000.62
Fuel		12,998.17
Insurance - Liability		36,083.87
Insurance - Medical		8,940.00
Legal & Professional		13,198.75
Loan Principal Payments		91,077.78
Loan Interest Payments		9,839.96
Medical Testing		389.31
Meetings		4,787.04
Office Supplies & Postage		7,321.48
Payroll Taxes		40,456.19
Pension Expense		6,950.00
Repairs & Maintenance		20,885.84
Salaries/wages		129,181.54
Supplies		17,951.48
Telephone/Cell Phone/Internet		8,639.14
Training & Education		6,293.32
Uniforms		20,290.22
Utilities		21,166.90
Purchase of Land for Fire Station		156,707.79
		<u>677,516.07</u>
Total Cash Disbursements		677,516.07
Ending Book Balance, Checking and Savings	\$	<u>281,183.57</u>
Ending Balance is comprised of the following:		
First Citizens - Operating Checking	\$	11,655.17
First Citizens - Savings		95,136.60
First Federal - Money Market		51,956.60
RBC - Fund Raising Checking		8,191.95
RBC - Money Market		9,061.72
Carolina First Money Market		105,181.53
		<u>281,183.57</u>
Ending Balance per books, June 30, 2011	\$	<u>281,183.57</u>

The accompanying notes are an integral part of this statement.

Hampstead Volunteer Fire & Rescue, Inc.
Hampstead, North Carolina
Notes to the Statement of Cash Receipts & Disbursements
Year Ended June 30, 2011

See Independent Auditors Report

Note 1: Description of the entity

The Hampstead Volunteer Fire & Rescue, Inc. is a non-profit 501(c)(3) organization, which was incorporated January 19, 1983. The Corporation has contracted with Pender County to provide fire protection in the Hampstead Fire District. The Department operates under guidelines established by the North Carolina Department of Insurance.

Basis of Accounting

The accompanying financial statement has been prepared on the cash basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding invoices and obligations at the date of the financial statement are not included in the financial statement.

Property, Plant and Equipment

Property, plant and equipment are expensed when purchased.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Agency is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Cash and Cash Equivalents

For the purpose of these financial statements, cash and cash equivalents includes cash in checking, on hand and in certificates of deposit.

At June 30, 2011 the Organization's deposits had a carrying amount of \$281,184 and a bank balance of \$289,487. All of the bank balance was covered by federal depository insurance.

Note 2: Note Payable

The Organization entered into an agreement with Rural Development with an outstanding balance of \$382,899. The agreement requires annual payments of \$57,475, including interest at 4.25% ending October 15, 2018. Scheduled principal payments under the agreement are as follows:

2012	\$	41,202
2013		42,953
2014		44,778
2015		46,618
2016		48,665
Thereafter		158,683
Total	\$	<u>382,899</u>

The Department entered into an agreement with First Citizens Bank with an outstanding balance of \$272,520. The agreement requires 120 monthly installments of \$3,532, including interest at 3.85%, ending November 30, 2018. Scheduled principal payments under the agreement are as follows:

2012	\$	32,310
2013		33,602
2014		34,938
2015		36,326
2016		37,770
Thereafter		97,574
Total	\$	<u>272,520</u>

In April 2011, the Department entered into an agreement with First Citizens Bank for the purchase of land to begin construction of a new substation in Scott's Hill. The loan is for \$131,750 and will be due in one lump sum in April 2012. Interest will accrue at a variable rate of 1.00% over the Prime Rate – the current interest rate at June 30, 2011 is 4.25%. All accrued interest will also be payable in April 2012. Scheduled principal payments under the agreement are as follows:

2012	\$	131,750
Thereafter		-
Total	\$	<u>131,750</u>

Note 3: Contingencies

A contract with Pender County restricts the department from incurring annual debt payments that exceed 25% of the annual fire district tax revenues.



CERTIFIED PUBLIC ACCOUNTANTS
4024 Oleander Drive Suite 2
Wilmington, North Carolina 28403
Telephone (910) 799-4872 Fax (910) 395-4872

To the Board of Directors and Management of Hampstead Volunteer Fire & Rescue, Inc.,

In planning and performing our audit of the statement of cash receipts and disbursements of Hampstead Volunteer Fire & Rescue, Inc. as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Hampstead Volunteer Fire & Rescue, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement of cash receipts and disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Hampstead Volunteer Fire & Rescue Inc.'s internal control to be significant deficiencies:

- Absent or inadequate segregation of duties within a significant account or process.

This communication is intended solely for the information and use of management, the cognizant audit agency and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
September 2, 2011