

WEST OSSIPPEE FIRE PRECINCT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
West Ossipee Fire Precinct
Ossipee, New Hampshire

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Ossipee Fire Precinct as of and for the year ended December 31, 2010, which collectively comprise the Precinct's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Ossipee Fire Precinct'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 the major fund of the West Ossipee Fire Precinct as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The West Ossipee Fire Precinct has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Ossipee Fire Precinct's basic financial statements. The individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial schedules themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

September 16, 2011

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
WEST OSS�PEE FIRE PRECINCT
Statement of Net Assets
December 31, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 117,840
Accounts receivable	4,529
Capital assets, net of accumulated depreciation:	
Buildings	442,800
Machinery, equipment, and vehicles	565,556
Total assets	1,130,725
LIABILITIES	
Accounts payable	12,865
Accrued salaries and benefits	5,149
Intergovernmental payable	6,356
Tax anticipation note payable	80,000
Accrued interest payable	11,113
Noncurrent obligations:	
Due within one year:	
Bond	31,000
Capital leases	63,214
Due in more than one year:	
Bond	312,000
Capital leases	140,816
Total liabilities	662,513
NET ASSETS	
Invested in capital assets, net of related debt	461,326
Unrestricted	6,886
Total net assets	\$ 468,212

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

EXHIBIT B
WEST OSS�PEE FIRE PRECINCT
Statement of Activities
For the Fiscal Year Ended December 31, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 132,040	\$ -	\$ -	\$ (132,040)
Public safety	306,444	4,415	4,060	(297,969)
Highways and streets	194	-	-	(194)
Interest on long-term debt	20,352	-	-	(20,352)
Capital outlay	24,441	-	-	(24,441)
Total governmental activities	<u>\$ 483,471</u>	<u>\$ 4,415</u>	<u>\$ 4,060</u>	<u>(474,996)</u>
General revenues:				
Precinct assessment				530,152
Miscellaneous				8,987
Total general revenues				<u>539,139</u>
Change in net assets				64,143
Net assets, beginning				404,069
Net assets, ending				<u>\$ 468,212</u>

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

EXHIBIT C-1
WEST OSSIPPEE FIRE PRECINCT
Governmental Fund
Balance Sheet
December 31, 2010

	General
ASSETS	
Cash and cash equivalents	\$ 117,840
Accounts receivable	4,529
Total assets	\$ 122,369
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 12,865
Accrued salaries and benefits	5,149
Intergovernmental payable	6,356
Tax anticipation note payable	80,000
Accrued interest payable	950
Total liabilities	105,320
Fund balance:	
Unreserved, undesignated	17,049
Total liabilities and fund balance	\$ 122,369

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

EXHIBIT C-2
WEST OSSIPPEE FIRE PRECINCT
Reconciliation of Total Governmental Fund Balance to the Statement of Net Assets
December 31, 2010

Total fund balances of governmental funds (Exhibit C-1)		\$ 17,049
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 1,456,436	
Less accumulated depreciation	<u>(448,080)</u>	
		1,008,356
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(10,163)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 343,000	
Capital leases	<u>204,030</u>	
		<u>(547,030)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 468,212</u></u>

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

EXHIBIT C-3
WEST OSSIPPEE FIRE PRECINCT
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2010

	General
Revenues:	
Precinct assessment	\$ 530,152
Intergovernmental	4,060
Charges for services	4,415
Miscellaneous	8,987
Total revenues	547,614
Expenditures:	
Current:	
General government	132,040
Public safety	416,497
Highways and streets	194
Debt service:	
Principal	30,000
Interest	21,409
Capital outlay	78,269
Total expenditures	678,409
Excess of expenditures over revenues	(130,795)
Other financing source:	
Inception of capital lease	150,000
Net change in fund balance	19,205
Fund balance (deficit), beginning	(2,156)
Fund balance, ending	\$ 17,049

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

EXHIBIT C-4
WEST OSSIPPEE FIRE PRECINCT
Reconciliation of the Statement of Revenues, Expenditures, and
Change in Fund Balances of Governmental Fund to the Statement of Activities
For the Fiscal Year Ended December 31, 2010

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 19,205
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 178,414	
Depreciation expense	<u>(71,561)</u>	106,853
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Proceeds of capital lease	\$ (150,000)	
Repayment of bond principal	30,000	
Repayment of capital lease principal	<u>57,028</u>	(62,972)
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.		
Decrease in accrued interest expense		<u>1,057</u>
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 64,143</u>

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

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the West Ossipee Fire Precinct are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Precinct’s accounting policies are described below.

1-A Reporting Entity

The West Ossipee Fire Precinct (the Precinct), is a municipal corporation governed by an elected 3-member Board of Commissioners. By State legislative action dated June 3, 2009, the West Ossipee Fire Precinct was ratified as a Village District under RSA 52. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Precinct is financially accountable. The Precinct is financially accountable for an organization if the Precinct appoints a voting majority of the organization’s governing board, and (1) the Precinct is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Precinct is legally entitled to or can otherwise access the organization’s resources; (3) the Precinct is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Precinct is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Precinct’s financial reporting entity.

1-B Basis of Presentation

Government-wide financial statements – The government-wide financial statements display information about the Precinct as a whole. These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all of the entity’s assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of two categories; invested in capital assets, net of related debt; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Precinct’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charges have been allocated to major functions in order to present a more accurate and complete picture of the cost of Precinct services. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements – The Precinct uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Precinct has only one fund, the general fund, which is a major governmental fund and accounts for all financial resources.

1-C Measurement Focus

Government-wide financial statements – The government-wide financial statements are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using 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. Property taxes are recognized as revenues in the year for which they are levied. 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 – 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Precinct considers revenues to be available if they are collected within 60 days of the end of the current period. The Precinct assessment and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only

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when cash is received by the Precinct. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Revenues – exchange transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

Revenues – nonexchange transactions – Nonexchange transactions, in which the Precinct receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Precinct must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Precinct on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

1-D Cash and Cash Equivalents

The Precinct considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist of demand deposits.

New Hampshire statutes require that the Precinct Treasurer have custody of all money belonging to the Precinct and pay out the same only upon orders of the Board of Commissioners. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Receivables

Receivables in the government-wide financial statements represent amounts due to the Precinct at December 31, recorded as revenue, which will be collected in the future and consist of accounts receivable.

Accounts receivable include various service charges which are recorded as revenue for the period when serviced was provided.

1-F Capital Assets

General capital assets are those assets of a capital nature which the Precinct owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Precinct maintains a capitalization threshold of \$10,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	50
Machinery, equipment, and vehicles	5-45

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-G Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment. Compensated absences accumulate and are recorded as expenditures when they are paid.

1-H Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

1-I Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-J Equity Classifications

Government-wide statements – Equity is classified as net assets and displayed in two components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Unrestricted net assets* – All other net assets that do not meet the definition of “invested in capital assets, net of related debt.”

Fund statement – Governmental fund equity is classified as fund balance. Fund balance is classified as “unreserved, undesignated,” representing availability for use in future periods.

1-K Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTE 2 – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, none of the Precinct’s bank balances of \$145,444 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 3 – OTHER RECEIVABLES

Receivables at December 31, 2010, consisted of accounts receivable. Receivables are recorded on the Precinct’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 consisted of the following:

	Balance, beginning	Changes	Balance, ending
At cost:			
Buildings	\$ 488,606	\$ 28,414	\$ 517,020
Machinery, equipment, and vehicles	789,416	150,000	939,416
Total capital assets	<u>1,278,022</u>	<u>178,414</u>	<u>1,456,436</u>
Less accumulated depreciation:			
Buildings	(64,448)	(9,772)	(74,220)
Machinery, equipment, and vehicles	(312,071)	(61,789)	(373,860)
Total accumulated depreciation	<u>(376,519)</u>	<u>(71,561)</u>	<u>(448,080)</u>
Net book value, all capital assets	<u>\$ 901,503</u>	<u>\$ 106,853</u>	<u>\$ 1,008,356</u>

Depreciation expense of \$71,561 was charged to the public safety function of the Precinct.

NOTE 5 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2010 consist of the following:

Miscellaneous fees due to the State of New Hampshire	\$ 528
Retirement contribution due to the New Hampshire Retirement System	5,828
Total intergovernmental payables	<u>\$ 6,356</u>

NOTE 6 – SHORT-TERM DEBT

Short-term debt provides financing for governmental activities. In 2010, the Precinct issued tax anticipation notes in the amount of \$80,000. This debt was issued for interim financing of general fund operations. On January 14, 2011, the Precinct repaid the note plus \$950 in interest.

The following is a summary of changes in short-term debt for the year ended December 31, 2010.

Balance, January 1, 2010	\$ -
Additions	80,000
Balance, December 31, 2010	<u>\$ 80,000</u>

NOTE 7 – LONG-TERM LIABILITIES

Changes in the Precinct's long-term obligations consisted of the following for the year ended December 31, 2010:

	General Obligation Bond Payable	Capital Leases Payable	Total
Balance, beginning	\$ 373,000	\$ 111,058	\$ 484,058
Additions	-	150,000	150,000
Reductions	(30,000)	(57,028)	(87,028)
Balance, ending	<u>\$ 343,000</u>	<u>\$ 204,030</u>	<u>\$ 547,030</u>

WEST OSSIPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2010	Current Portion
General obligation bond payable:						
Jewell Hill Fire Station	\$ 373,000	2009	2019	5.96	\$ 343,000	\$ 31,000
Capital leases payable:						
Fire engine	\$ 215,901	2004	2012	4.62	71,975	35,175
Fire equipment	\$ 150,000	2010	2015	4.95	132,055	28,039
					<u>204,030</u>	<u>63,214</u>
Total					<u>\$ 547,030</u>	<u>\$ 94,214</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 31,000	\$ 19,679	\$ 50,679
2012	32,000	18,365	50,365
2013	34,000	16,845	50,845
2014	35,000	15,097	50,097
2015	37,000	13,186	50,186
2016-2019	174,000	28,972	202,972
Totals	<u>\$ 343,000</u>	<u>\$ 112,144</u>	<u>\$ 455,144</u>

All debt is general obligation debt of the Precinct, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 8 – CAPITAL LEASES

The Precinct has entered into certain capital lease agreements under which the related equipment will become the property of the Precinct when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2010
Capital lease obligations:		
Fire engine	4.62%	\$ 71,975
Fire equipment	4.95%	132,055
Total		<u>\$ 204,030</u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Fire engine	\$ 273,100
Fire equipment	150,000
Less: accumulated depreciation	(90,103)
Total capital leases net of depreciation	<u>\$ 332,997</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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The annual requirements to amortize capital leases payable as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 63,214	\$ 9,172	\$ 72,386
2012	66,245	6,141	72,386
2013	30,920	2,966	33,886
2014	32,470	1,416	33,886
2015	11,181	114	11,295
Totals	<u>\$ 204,030</u>	<u>\$ 19,809</u>	<u>\$ 223,839</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 9 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 1,008,356
Less:	
General obligation bond payable	(343,000)
Capital leases payable	<u>(204,030)</u>
Total invested in capital assets, net of related debt	461,326
Unrestricted	<u>6,886</u>
Total net assets	<u>\$ 468,212</u>

None of the net assets are restricted by enabling legislation.

NOTE 10 – EMPLOYEE RETIREMENT PLAN

The Precinct participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Precinct. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2010, the Precinct contributed 17.28% for fire. As of July 1, those rates increased to 18.52%. The contribution requirements for the West Ossipee Fire Precinct for the fiscal years 2009 and 2010 were \$9,875 and \$10,754, respectively, which were paid in full each year.

For the first six months of 2010, the State of New Hampshire funded 35% of the total employer normal contribution rate for police officers and firefighters employed by the Precinct. As of July 1, the funding rate decreased to 30% of the total employer normal contribution rate. This amount, \$4,060, is reported as an “on-behalf payment” as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statements of activities.

NOTE 11 – RISK MANAGEMENT

The Precinct is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2010, the Precinct was a member of the Local Government Center Property-Liability Trust, LLC, which is a Trust organized to provide certain property and liability insurance coverages to member towns, cities, precincts, and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Precinct shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk

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NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2010, to be recorded as an insurance expenditure totaled \$7,823. The Precinct also paid \$6,281 for workers' compensation insurance in 2010. There were no unpaid contributions for the year ended December 31, 2010. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

NOTE 12 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Precinct which arose in the normal course of the Precinct's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Precinct.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through September 16, 2011, the date the December 31, 2010 financial statements were issued, and no events occurred requiring recognition or disclosure.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENT

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are not mandatory for the Precinct until fiscal year ended December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT D
WEST OSSIPPEE FIRE PRECINCT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Precinct assessment	\$ 529,099	\$ 530,152	\$ 1,053
Charges for services	-	4,415	4,415
Miscellaneous	2,647	8,987	6,340
Total revenues	<u>531,746</u>	<u>543,554</u>	<u>11,808</u>
Expenditures:			
Current:			
General government	133,729	132,040	1,689
Public safety	276,838	262,437	14,401
Highways and streets	3,200	194	3,006
Debt service:			
Principal	30,000	30,000	-
Interest	20,479	21,409	(930)
Capital outlay	67,500	78,269	(10,769)
Total expenditures	<u>531,746</u>	<u>524,349</u>	<u>7,397</u>
Net change in fund balances	<u>\$ -</u>	19,205	<u>\$ 19,205</u>
Unreserved fund balance (deficit), beginning		(2,156)	
Unreserved fund balance, ending		<u>\$ 17,049</u>	

The notes to the required supplementary information are an integral part of this schedule.

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

General Budget Policies	1
Budgetary Reconciliation	2

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Precinct's operations. At its annual meeting, the Precinct adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

2. Budgetary Reconciliation

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D (budgetary basis)	\$ 543,554
Adjustment:	
Basis difference:	
Inception of capital lease	150,000
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	4,060
Per Exhibit C-3 (GAAP basis)	\$ 697,614
Expenditures:	
Per Exhibit D (budgetary basis)	\$ 524,349
Adjustment:	
Basis differences:	
Inception of capital lease	150,000
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	4,060
Per Exhibit C-3 (GAAP basis)	\$ 678,409

INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
WEST OSSIPEE FIRE PRECINCT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2010

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:			
Precinct assessment	<u>\$ 529,099</u>	<u>\$ 530,152</u>	<u>\$ 1,053</u>
Charges for services:			
Income from department	<u>-</u>	<u>4,415</u>	<u>4,415</u>
Miscellaneous:			
Sale of municipal property	322	322	-
Interest on investments	25	333	308
Other	2,300	8,332	6,032
Total from miscellaneous	<u>2,647</u>	<u>8,987</u>	<u>6,340</u>
Total revenues and other financing sources	<u>\$ 531,746</u>	<u>\$ 543,554</u>	<u>\$ 11,808</u>

SCHEDULE 2
WEST OSS�PEE FIRE PRECINCT
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2010

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
General government:			
Executive	\$ 40,100	\$ 43,881	\$ (3,781)
Financial administration	9,000	7,000	2,000
Legal	2,000	3,740	(1,740)
General government buildings	41,870	34,482	7,388
Insurance, not otherwise allocated	40,759	42,937	(2,178)
Total general government	<u>133,729</u>	<u>132,040</u>	<u>1,689</u>
Public safety:			
Fire	<u>276,838</u>	<u>262,437</u>	<u>14,401</u>
Highways and streets:			
Street lighting	<u>3,200</u>	<u>194</u>	<u>3,006</u>
Debt service:			
Principal of long-term debt	30,000	30,000	-
Interest on long-term debt	20,479	20,459	20
Interest on tax anticipation notes	-	950	(950)
Total debt service	<u>50,479</u>	<u>51,409</u>	<u>(930)</u>
Capital outlay:			
West Ossipee Fire Station	12,500	12,109	391
Jewell Hill Fire Station	9,000	16,305	(7,305)
Equipment lease	34,000	25,414	8,586
Machinery, equipment, and vehicles	12,000	24,441	(12,441)
Total capital outlay	<u>67,500</u>	<u>78,269</u>	<u>(10,769)</u>
Total appropriations and expenditures	<u>\$ 531,746</u>	<u>\$ 524,349</u>	<u>\$ 7,397</u>

SCHEDULE 3
WEST OSS�PEE FIRE PRECINCT
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2010

Unreserved, undesignated fund balance (deficit), beginning		\$ (2,156)
2010 Budget summary:		
Revenue surplus (Schedule 1)	\$ 11,808	
Underexpended balance of appropriations (Schedule 2)	7,397	
2010 Budget surplus		19,205
Unreserved, undesignated fund balance, ending		\$ 17,049



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESSES

To the Members of the Board of Commissioners
West Ossipee Fire Precinct
Ossipee, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the West Ossipee Fire Precinct as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Precinct's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Precinct's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Ossipee Fire Precinct'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 prevent, or 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 consider the following deficiencies in the West Ossipee Fire Precinct's internal control to be material weaknesses:

Financial Statement Preparation

Due to the limited number of personnel available in the Precinct, the Board of Commissioners has requested that our firm prepare the annual financial statements and footnote disclosures. There is a remote likelihood that a misstatement of the financial statements will not be prevented or detected by management's review of the financial statements. The Board of Commissioners should consider hiring someone who could prepare the monthly and year-end financial statements.

Precinct Treasurer

The Precinct Treasurer is not maintaining a separate cash book for the bank accounts as required by State law, nor does the Treasurer retain copies of signed manifests after they are approved. Consequently, the monthly bank reconciliations are being prepared by the administrative assistant, thereby eliminating a major internal accounting control over cash. Also, the Treasurer has access to the general ledger system and is responsible for recording adjusting journal entries. There is no indication that these entries require approval or have been approved by anyone. Likewise, the administrative assistant has access to the Precinct's bank accounts via the internet and can transfer funds without the knowledge or approval of the Treasurer.

There is a need for administrators to recognize the importance of segregation of duties for internal accounting control purposes. The Treasurer should be maintaining a separate cash book and preparing the monthly bank reconciliations, as well as retaining copies of manifests. Likewise, he should not have access to the general ledger system, nor should the administrative assistant initiate bank transfers without approval of the Treasurer.

*West Ossipee Fire Precinct
Independent Auditor's Communication of Material Weaknesses*

Precinct Debit Card

Stricter controls over the use of the Precinct's debit card need to be instituted, including requiring Board approval and supporting documentation for each purchase. The Commissioners have been lax by not requiring proper substantiation for all expenditures, including reimbursements to employees for travel and conferences expenses. A formal policy requiring preapproval by the Board including a "not to exceed" dollar amount should be instituted for all educational conferences.

Purchase Orders

The Precinct is not complying with its current purchase order policy, which states that purchase orders are required for all purchases. The Board should consider revising the policy or enforcing the current policy.

Payroll

Controls over payroll processing need to be implemented or enforced, including requiring proper approval of payroll expenditures by the Board of Commissioners and Fire Chief, and the payment of firefighters' wages in accordance with State and Department of Labor guidelines. Also, our review of the monthly retirement contribution payments to the State disclosed three months of untimely payments resulting in late fees of \$109.

Cash Disbursements

Controls over vendor payments need to be implemented and enforced, including requiring proper approval of vendor payments by the Board of Commissioners and Fire Chief, and retention of supporting documentation for all payments made.

Grants

The Precinct received a grant approval from the State of New Hampshire during 2010 in the approximate amount of \$4,000 for the purchase of extrication equipment. However, for whatever reason, the grant was not applied for and has since expired, while the Precinct ended up purchasing the equipment. Again, an example indicating the need to improve internal accounting controls within the Precinct.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

September 16, 2011

*Plodzik & Sanderson
Professional Association*