

WEST OSSIPPEE FIRE PRECINCT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the West Ossipee Fire Precinct as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Precinct's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 major fund of the West Ossipee Fire Precinct as of December 31, 2012, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

*West Ossipee Fire Precinct
Independent Auditor's Report*

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial 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. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 20, 2013

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
WEST OSSIPPEE FIRE PRECINCT
Statement of Net Position
December 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 128,368
Capital assets, not being depreciated:	
Construction in progress	8,310
Capital assets, net of accumulated depreciation:	
Buildings	422,120
Machinery, equipment, and vehicles	450,281
Total assets	1,009,079
LIABILITIES	
Accounts payable	49,114
Accrued salaries and benefits	1,838
Accrued interest payable	7,206
Noncurrent liabilities:	
Due within one year:	
Bond	34,000
Capital lease	30,920
Due in more than one year:	
Bond	226,000
Capital lease	33,651
Total liabilities	382,729
NET POSITION	
Net investment in capital assets	556,140
Unrestricted	70,210
Total net position	\$ 626,350

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

EXHIBIT B
WEST OSSIPPEE FIRE PRECINCT
Statement of Activities
For the Fiscal Year Ended December 31, 2012

	Expenses	Program Revenues Charges for Services	Net Expense and Change in Net Position
Governmental activities:			
General government	\$ 95,493	\$ -	\$ (95,493)
Public safety	250,981	1,043	(249,938)
Highways and streets	492	-	(492)
Interest on long-term debt	17,666	-	(17,666)
Capital outlay	13,988	-	(13,988)
Total governmental activities	<u>\$ 378,620</u>	<u>\$ 1,043</u>	<u>(377,577)</u>
General revenues:			
Precinct assessment			439,030
Unrestricted investment earnings			55
Miscellaneous			2,094
Total general revenues			<u>441,179</u>
Change in net position			63,602
Net position, beginning			562,748
Net position, ending			<u>\$ 626,350</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, 2012

	General
ASSETS	
Cash and cash equivalents	\$ 128,368
LIABILITIES	
Accounts payable	\$ 49,114
Accrued salaries and benefits	1,838
Total liabilities	50,952
FUND BALANCE	
Committed:	
Expendable trust funds	20,007
Assigned:	
General government buildings	45,415
Unassigned	
Total fund balances	11,994
Total fund balances	77,416
Total liabilities and fund balance	\$ 128,368

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 Position
December 31, 2012

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 77,416
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 1,418,183	
Less accumulated depreciation	<u>(537,472)</u>	
		880,711
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(7,206)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 260,000	
Capital lease	<u>64,571</u>	
		<u>(324,571)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 626,350</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, 2012

	General
REVENUES	
Taxes	\$ 439,030
Intergovernmental	165
Charges for services	1,043
Miscellaneous	1,984
Total revenues	442,222
EXPENDITURES	
Current:	
General government	103,803
Public safety	153,291
Highways and streets	492
Debt service:	
Principal	52,000
Interest	18,364
Capital outlay	96,944
Total expenditures	424,894
Net change in fund balance	17,328
Fund balance, beginning	60,088
Fund balance, ending	\$ 77,416

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
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2012

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 17,328
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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 61,821	
Depreciation expense	<u>(87,545)</u>	(25,724)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.		
Loss on disposal of capital assets		(10,145)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal	\$ 52,000	
Repayment of capital lease principal	<u>29,445</u>	81,445
Interest expenditures recognized in the current year Statement of Revenues, Expenditures, and Changes in Fund Balance when due, were recognized in the prior year Statement of Activities when accrued.		
		7,685
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.		
Increase in accrued interest expense		<u>(6,987)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 63,602</u></u>

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

EXHIBIT D
WEST OSSIPPEE FIRE PRECINCT
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 438,837	\$ 439,030	\$ 193
Intergovernmental	993	165	(828)
Charges for services	-	1,043	1,043
Miscellaneous	1,523	1,977	454
Total revenues	<u>441,353</u>	<u>442,215</u>	<u>862</u>
EXPENDITURES			
Current:			
General government	122,170	142,555	(20,385)
Public safety	193,500	144,914	48,586
Highways and streets	500	492	8
Debt service:			
Principal	32,000	52,000	(20,000)
Interest	9,183	18,364	(9,181)
Capital outlay	64,000	80,578	(16,578)
Total expenditures	<u>421,353</u>	<u>438,903</u>	<u>(17,550)</u>
Excess (deficiency) of revenues over (under) expenditures	20,000	3,312	(16,688)
OTHER FINANCING USES			
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(16,688)</u>	<u>\$ (16,688)</u>
Decrease in nonspendable fund balance		9,182	
Unassigned fund balance, beginning		19,500	
Unassigned fund balance, ending		<u>\$ 11,994</u>	

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

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the West Ossipee Fire Precinct (the 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 is a municipal corporation governed by an elected 3-member Board of Commissioners. 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 effect of interfund activity has been eliminated from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Precinct at year-end. This statement includes all of the Precinct assets, liabilities, and net position. Net position is reported as one of two categories: net investment in capital assets 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. Program revenues include charges to customers or applicants for goods received, services rendered or privileges provided. Revenues that are not classified as program revenues, including Precinct assessments, 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 fund and accounts for all financial resources.

1-C Measurement Focus

Government-wide Fund Financial Statements – The government-wide fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes (precinct assessment) are recognized as revenues in the year for which they are levied.

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

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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are considered to be measurable and available only when cash is received by the Precinct. Expenditures are recorded when the liability is incurred, except for principal and interest on general long-term debt, which is recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund.

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 the Precinct assessment, 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 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 primarily of demand deposits.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383.22. 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 Capital Assets

Capital assets, which include property, plant and equipment (infrastructure is not included), are reported in the applicable governmental column in the government-wide financial statements.

Capital assets are defined by the Precinct as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Precinct constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Precinct are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes:	<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.

1-F Fund Balance Flow Assumptions

Sometimes the Precinct will fund outlays for a particular purpose from unrestricted resources (the total of committed and unassigned fund balance). In order to calculate the amounts to report as committed and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Precinct’s policy that when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by unassigned fund balance.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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1-G Revenues

General Revenues - General revenues represent the following; the Precinct assessment, unrestricted grants, investment income, and other miscellaneous items recorded when collected/received.

Program Revenues - Amounts recorded as program revenues include; charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Precinct.

1-H Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial 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/Fund Balance Policy/Classifications

Government-wide Statements – Equity is classified as net position and displayed in two components:

- a) *Net investment in capital assets* – Consists of 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 position* – All other net assets that do not meet the definition of “net investment in capital assets.”

Fund Balance Policy/Classifications - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific programs. The Precinct itself can establish limitations on the use of resources through a commitment (committed fund balance). The classifications used in the Precinct’s governmental fund financial statements are as follows:

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Annual Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. Expendable trusts are included in this classification.

Assigned – This classification includes amounts that are constrained by the Precinct’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process. The Precinct has assigned funds consisting of encumbrances in the general fund at year-end.

Unassigned – This classification includes amounts that are constrained by the Precinct’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process. The Precinct has assigned funds consisting of encumbrances in the general fund at year-end.

1-K Impact of Recently Issued Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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 US 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.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2012, none of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Precinct employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues:	
Per Exhibit D (budgetary basis)	\$442,215
Adjustment:	
Basis difference:	
Interest income earned on eliminated capital reserve fund	<u>7</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$442,222</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$458,903
Adjustment:	
Basis differences:	
Encumbrances, beginning	31,406
Encumbrances, ending	(45,415)
GASB Statement No. 54;	
To eliminate transfers between general and capital reserve fund	<u>(20,000)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$424,894</u></u>

WEST OSSIPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2- C Municipal Budget Law Violation

The general fund had an excess of expenditures over appropriations for the year ended December 31, 2012 in the amount of \$17,550. The State Municipal Budget Law (RSA Chapter 32) provides for emergency spending procedures whereby monies may be expended in excess of an appropriation, thereby resulting in an over expenditure of total appropriations. There is no indication that these procedures were followed by the governing body in order not to incur a violation. Therefore, a budgetary violation did occur for the year ended December 31, 2012.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

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, 2012, none of the Town's bank balances of \$140,028 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Construction in progress	\$ 10,000	\$ 8,310	\$ (10,000)	\$ 8,310
Being depreciated:				
Buildings	517,020	-	-	517,020
Machinery, equipment, and vehicles	867,540	63,511	(38,198)	892,853
Total capital assets being depreciated	<u>1,384,560</u>	<u>63,511</u>	<u>(38,198)</u>	<u>1,409,873</u>
Total all capital assets	<u>1,394,560</u>	<u>71,821</u>	<u>(48,198)</u>	<u>1,418,183</u>
Less accumulated depreciation:				
Buildings	(84,560)	(10,340)	-	(94,900)
Machinery, equipment, and vehicles	(393,420)	(77,205)	28,053	(442,572)
Total accumulated depreciation	<u>(477,980)</u>	<u>(87,545)</u>	<u>28,053</u>	<u>(537,472)</u>
Net book value, capital assets being depreciated	<u>906,580</u>	<u>(24,034)</u>	<u>(10,145)</u>	<u>872,401</u>
Net book value, all capital assets	<u>\$ 916,580</u>	<u>\$ (15,724)</u>	<u>\$ (20,145)</u>	<u>\$ 880,711</u>

Depreciation expense of \$87,545 was charged to the public safety function of the Precinct.

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2012 consist of \$1,838 for salary and other employee benefits.

NOTE 6 – LONG-TERM LIABILITIES

Changes in the Precinct's long-term obligations consisted of the following for the year ended December 31, 2012:

	<u>General Obligation Bond Payable</u>	<u>Capital Lease Payable</u>	<u>Total</u>
Balance, beginning	\$ 312,000	\$ 94,016	\$ 406,016
Reductions	(52,000)	(29,445)	(81,445)
Balance, ending	<u>\$ 260,000</u>	<u>\$ 64,571</u>	<u>\$ 324,571</u>

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

At their December 3, 2012 meeting, the Commissioners approved an additional payment of \$20,000 to be paid toward the Precinct's outstanding bond. This amount is in addition to the Precinct's current year debt payment of \$32,000, which was due on July 30, 2012.

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2012	Current Portion
General obligation bond payable:						
Jewell Hill Fire Station	\$ 373,000	2009	2019	5.96	\$ 260,000	\$ 34,000
Capital lease payable:						
Fire equipment	150,000	2010	2015	4.95	64,571	30,920
Total					<u>\$ 324,571</u>	<u>\$ 64,920</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 34,000	\$ 16,845	\$ 50,845
2014	35,000	15,097	50,097
2015	37,000	13,186	50,186
2016	40,000	11,070	51,070
2017	42,000	8,678	50,678
2018-2019	72,000	9,223	81,223
Totals	<u>\$ 260,000</u>	<u>\$ 74,099</u>	<u>\$ 334,099</u>

NOTE 7 – LEASE OBLIGATIONS

Capital Lease – The Precinct has entered into a capital lease agreement 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, 2012
Capital lease obligation:		
Fire equipment	4.95%	<u>\$ 64,571</u>

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

Equipment:	
Fire equipment	\$ 150,000
Less: accumulated depreciation	(75,000)
Total capital leases obligations	<u>\$ 75,000</u>

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

The annual requirements to amortize the capital lease payable as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 30,920	\$ 2,966	\$ 33,886
2014	32,470	1,416	33,886
2015	1,181	114	1,295
Totals	\$ 64,571	\$ 4,496	\$ 69,067

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

NOTE 8 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2012 include the following:

Net investment in capital assets:		
Capital assets, net of accumulated depreciation		\$ 880,711
Less:		
General obligation bond payable		(260,000)
Capital lease payable		(64,571)
Total net investment in capital assets		556,140
Unrestricted		70,210
Total net position		\$ 626,350

NOTE 9 – 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 2012, the Town was a member of the Local Government Center Property-Liability Trust, LLC Workers' Compensation, and Property/Liability programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member towns, cities, and other qualified political subdivisions of New Hampshire.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member towns, cities 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 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, 2012, to be recorded as an insurance expenditure totaled \$3,594. The Precinct also paid \$9,180 for workers' compensated insurance in 2012. There were no unpaid contributions for the year ended December 31, 2012.

NOTE 10 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Precinct beginning with its fiscal year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

WEST OSSIPPEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Precinct beginning with its fiscal year ending December 2013. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the Precinct beginning with its fiscal year ending December 31, 2013.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Precinct beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Precinct beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

NOTE 11 – 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 November 20, 2013, the date the December 31, 2012 financial statements were issued, and no events occurred that require recognition or disclosure.

INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
WEST OSSIPPEE FIRE PRECINCT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Precinct assessment	\$ 438,837	\$ 439,030	\$ 193
Intergovernmental:			
State:			
Other	-	165	165
Federal:			
Other	993	-	(993)
Total from intergovernmental	993	165	(828)
Charges for services:			
Income from departments	-	1,043	1,043
Miscellaneous:			
Sale of municipal property	1,500	1,700	200
Interest on investments	23	48	25
Other	-	229	229
Total from miscellaneous	1,523	1,977	454
Total revenues	\$ 441,353	\$ 442,215	\$ 862

SCHEDULE 2
WEST OSS�PEE FIRE PRECINCT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 15,650	\$ 11,727	\$ -	\$ 3,923
Financial administration	-	8,000	7,000	-	1,000
Legal	-	8,000	72	-	7,928
General government buildings	6,663	68,820	66,755	45,415	(36,687)
Insurance, not otherwise allocated	-	21,700	18,249	-	3,451
Total general government	<u>6,663</u>	<u>122,170</u>	<u>103,803</u>	<u>45,415</u>	<u>(20,385)</u>
Public safety:					
Fire	<u>8,377</u>	<u>193,500</u>	<u>153,291</u>	<u>-</u>	<u>48,586</u>
Highways and streets:					
Street lighting	<u>-</u>	<u>500</u>	<u>492</u>	<u>-</u>	<u>8</u>
Debt service:					
Principal of long-term debt	-	32,000	52,000	-	(20,000)
Interest on long-term debt	-	9,183	18,364	-	(9,181)
Total debt service	<u>-</u>	<u>41,183</u>	<u>70,364</u>	<u>-</u>	<u>(29,181)</u>
Capital outlay:					
Equipment lease	-	34,000	33,886	-	114
Machinery, equipment, and vehicles	16,366	30,000	63,058	-	(16,692)
Total capital outlay	<u>16,366</u>	<u>64,000</u>	<u>96,944</u>	<u>-</u>	<u>(16,578)</u>
Other financing uses:					
Transfers out:					
Capital reserve fund	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 31,406</u>	<u>\$ 441,353</u>	<u>\$ 444,894</u>	<u>\$ 45,415</u>	<u>\$ (17,550)</u>

*SCHEDULE 3
WEST OSSIPPEE FIRE PRECINCT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012*

Unassigned fund balance, beginning		\$ 19,500
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 862	
Overdraft of appropriations (Schedule 2)	<u>(17,550)</u>	
2012 Budget surplus		(16,688)
Decrease in nonspendable fund balance		<u>9,182</u>
Unassigned fund balance, ending		<u><u>\$ 11,994</u></u>



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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND 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 major fund of the West Ossipee Fire Precinct as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the West Ossipee Fire Precinct's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 West Ossipee Fire 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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 a 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:

Purchase Orders (Repeat Comment)

The Precinct is not complying with its current purchase order policy which states that purchase orders are required for all purchases. During our testing of internal controls over purchase orders, we again noted this year two instances out of forty, whereby, a purchase order should have been obtained but was not. We again strongly recommend that the Board consider revising the policy or enforcing the existing policy.

Cash Disbursements

We noted in the prior year that controls over vendor payments needed to be implemented and enforced, including timeliness of payments and retention of supporting documentation for all payments made. In 2012, we noted improvements in this area.

Reconciliations

We noted that balance sheet accounts are not reconciled on a periodic basis. Beginning balances in these accounts did not agree with prior year audited figures. Two balances remained unchanged from the prior year balance. Additionally, the accounts payable account maintains a permanent balance in the account which does not zero out when payables are processed. These areas need to be addressed, as additional audit costs are being incurred as a result of these deficiencies.

This communication is intended solely for the information and use of management and 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.

November 20, 2013