

**WEST OSSIPPEE FIRE PRECINCT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

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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, 2014, and 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 of 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 statement.

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, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Management's Discussion and Analysis** – 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 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 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.

February 3, 2016

*Plodzik & Sanderson  
Professional Association*

***BASIC FINANCIAL STATEMENTS***

*EXHIBIT A*  
*WEST OSSIPPEE FIRE PRECINCT*  
*Statement of Net Position*  
*December 31, 2014*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 84,796
Intergovernmental receivable	61,212
Prepaid items	6,593
Capital assets:	
Other capital assets, net of depreciation	<u>867,720</u>
Total assets	<u>1,020,321</u>
<b>LIABILITIES</b>	
Accounts payable	10,461
Accrued interest payable	5,517
Long-term liabilities:	
Due within one year	10,280
Due in more than one year	<u>176,000</u>
Total liabilities	<u>202,258</u>
<b>NET POSITION</b>	
Net investment in capital assets	681,440
Unrestricted	<u>136,623</u>
Total net position	<u>\$ 818,063</u>

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, 2014

	Expenses	Program Revenues		Net Expense and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 77,813	\$ -	\$ -	\$ (77,813)
Public safety	257,670	-	-	(257,670)
Highways and streets	518	-	-	(518)
Interest on long-term debt	12,948	-	-	(12,948)
Total governmental activities	<u>\$ 348,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(348,949)</u>
General revenues:				
Precinct assessment				419,006
Unrestricted investment earnings				45
Miscellaneous				895
Total general revenues				<u>419,946</u>
Change in net position				70,997
Net position, beginning, as restated (see Note 11)				747,066
Net position, ending				<u>\$ 818,063</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, 2014*

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 84,796
Due from other governments	61,212
Prepaid items	<u>31,313</u>
Total assets	<u>\$ 177,321</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 10,461</u>
<b>FUND BALANCES</b>	
Committed	60,020
Assigned	25,369
Unassigned	<u>81,471</u>
Total fund balances	<u>166,860</u>
Total liabilities and fund balances	<u>\$ 177,321</u>

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



*EXHIBIT C-2*  
*WEST OSSIPEE FIRE PRECINCT*  
*Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position*  
*December 31, 2014*

Total fund balances of governmental funds (Exhibit C-1)		\$ 166,860
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 1,584,513	
Less accumulated depreciation	<u>(716,793)</u>	
		867,720
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(5,517)
Repayment of long-term liabilities not due until subsequent year are recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements.		
		(24,720)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond		<u>(186,280)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 818,063</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 Balances*  
*For the Fiscal Year Ended December 31, 2014*

	General
<b>REVENUES</b>	
Taxes	\$ 419,006
Investment earnings	45
Miscellaneous	895
Total revenues	419,946
<b>EXPENDITURES</b>	
Current:	
General government	79,597
Public safety	168,471
Highways and streets	518
Debt service:	
Principal	35,000
Interest	15,007
Capital lease	30,699
Capital outlay	34,599
Total expenditures	363,891
Net change in fund balances	56,055
Fund balance, beginning, as restated (see Note 11)	110,805
Fund balance, ending	\$ 166,860

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 Fund to the Statement of Activities*  
*For the Fiscal Year Ended December 31, 2014*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 56,055
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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 35,358	
Depreciation expense	<u>(89,960)</u>	(54,602)
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	\$ 35,000	
Repayment of capital lease principal	<u>30,699</u>	65,699
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>3,845</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 70,997</u></u>

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

**EXHIBIT D**  
**WEST OSSIPEE 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, 2014*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 419,006	\$ 419,006	\$ 419,006	\$ -
Investment earnings	37	100	45	(55)
Miscellaneous	3,477	3,414	886	(2,528)
Total revenues	<u>422,520</u>	<u>422,520</u>	<u>419,937</u>	<u>(2,583)</u>
<b>EXPENDITURES</b>				
Current:				
General government	87,970	87,220	81,797	5,423
Public safety	204,950	205,700	141,766	63,934
Highways and streets	600	600	518	82
Debt service:				
Principal	28,000	35,000	35,000	-
Interest	16,000	16,000	15,007	993
Capital lease	35,000	28,000	30,699	(2,699)
Capital outlay	30,000	30,000	54,863	(24,863)
Total expenditures	<u>402,520</u>	<u>402,520</u>	<u>359,649</u>	<u>42,871</u>
Excess of revenues over expenditures	20,000	20,000	60,288	40,288
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	40,288	<u>\$ 40,288</u>
Unassigned fund balance, beginning, as restated (see Note 11)			41,183	
Unassigned fund balance, ending			<u>\$ 81,471</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, 2014**

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**WEST OSS�PEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the West Ossipee Fire Precinct (the Precinct), have been prepared 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 Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The effect of interfund activity has been eliminated from these 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 both measurable and available. Revenues are considered to be available when they are collectible 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 fiscal period. The Precinct assessment and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Precinct.

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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Precinct receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all 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 specific purpose, and expenditure requirements, in which the resources are provided to the Precinct on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

***1-C 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.

**WEST OSSIPPEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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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 of 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 to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-D Receivables***

Receivables recorded in the financial statements represent amounts due to the Precinct at December 31. They are aggregated into a single intergovernmental receivable line. They consist primarily of expendable trust funds held by the Town of Ossipee Trustees of Trust Funds.

***1-E Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

***1-F Capital Assets***

Capital assets, which include property, plant, 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:

<b>Capital Asset Classes:</b>	<u><b>Years</b></u>
Land improvements	25
Buildings and building improvements	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-G Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of fund net position.

***1-H 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.

**WEST OSS�PEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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**1-I Net Position/Fund Balance Reporting**

**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 position that does not meet the definition of “net investment in capital assets.”

**Fund Balance Classifications** - The fund balance of the governmental fund is reported in three 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 either a commitment (committed fund balance) or an assignment (assigned 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. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**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.

**Unassigned** – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the Precinct’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**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 United States 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. For the fiscal year 2014, none of the beginning general fund unassigned fund balance was applied for this purpose.



**WEST OSSIPEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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**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, Expenditures, and Changes in Fund Balance – 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)	\$ 419,937
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Interest income earned on eliminated capital reserve fund	9
Per Exhibit C-3 (GAAP basis)	<u>\$ 419,946</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 379,649
Adjustment:	
Basis differences:	
Encumbrances, beginning	29,610
Encumbrances, ending	(25,369)
GASB Statement No. 54:	
To eliminate transfers between the blended general and capital reserve fund	(20,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 363,891</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Precinct's deposits are covered by federal depository insurance (FDIC). The FDIC currently insures the first \$250,000 of the Precinct's deposits at each financial institution, per case custodian. As of year-end, the carrying amount of the Precinct's deposits was \$84,796 and the bank balance totaled \$96,397.

**NOTE 4 – RECEIVABLES**

Receivables of \$61,212 at December 31, 2014, consist of the expendable trust funds held by the Town of Ossipee Trustees of Trust Funds in the amount of \$60,020 and \$1,192 from the United States Treasury for a refund of overpaid payroll taxes.

**NOTE 5 – PREPAID ITEMS**

Prepaid items of \$31,313 at December 31, 2014 consisted of a debt payment due to Zion National Bank for January 2015. Of this amount, \$24,720 represents the principal portion of the payment and \$6,593 the interest portion. As noted in Note 7 the principal portion has been used to reduce the current portion of the bond payable reported in the governmental activities (Exhibit A).

**WEST OSS�PEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Construction in progress	\$ 96,440	\$ -	\$ (96,440)	\$ -
Being depreciated:				
Land improvements	14,966	-	-	14,966
Buildings and building improvements	517,020	131,798	-	648,818
Vehicles	920,729	-	-	920,729
Total capital assets being depreciated	<u>1,452,715</u>	<u>131,798</u>	<u>-</u>	<u>1,584,513</u>
Total all capital assets	<u>1,549,155</u>	<u>131,798</u>	<u>(96,440)</u>	<u>1,584,513</u>
Less accumulated depreciation:				
Land improvements	(50)	(599)	-	(649)
Buildings and building improvements	(105,240)	(11,658)	-	(116,898)
Vehicles	(521,543)	(77,703)	-	(599,246)
Total accumulated depreciation	<u>(626,833)</u>	<u>(89,960)</u>	<u>-</u>	<u>(716,793)</u>
Net book value, capital assets being depreciated	<u>825,882</u>	<u>41,838</u>	<u>-</u>	<u>867,720</u>
Net book value, all capital assets	<u>\$ 922,322</u>	<u>\$ 41,838</u>	<u>\$ (96,440)</u>	<u>\$ 867,720</u>

Depreciation expense of \$89,960 was charged to the public safety function of the Precinct.

**NOTE 7 – LONG-TERM LIABILITIES**

Changes in the Precinct's long-term liabilities consisted of the following for the year ended December 31, 2014:

	<u>Balance January 1, 2014 (as restated)</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
General obligation bond payable	\$ 246,000	\$ (59,720)	\$ 186,280	\$ 10,280 *
Capital lease	33,651	(33,651)	-	-
Total long-term liabilities	<u>\$ 279,651</u>	<u>\$ (93,371)</u>	<u>\$ 186,280</u>	<u>\$ 10,280</u>

The long-term bond is comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2014</u>	<u>Current Portion</u>
General obligation bond payable:						
Jewell Hill Fire Station	\$ 373,000	2009	2019	5.96	\$ 186,280	\$ 10,280

\*A prepayment on the principal portion of the debt was made in December 2014 of \$24,720 which reduces the current portion of the long-term debt owed in the governmental activities (Exhibit A) at year-end.

**WEST OSS�PEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2014, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	\$ 10,280	\$ 13,186	\$ 23,466
2016	42,000	11,070	53,070
2017	42,000	8,678	50,678
2018	45,000	6,065	51,065
2019	47,000	3,158	50,158
Totals	<u>\$ 186,280</u>	<u>\$ 42,157</u>	<u>\$ 228,437</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 – ENCUMBRANCES**

Encumbrances outstanding at December 31, 2014 are as follows:

General fund:	
General government buildings	\$ 2,200
Public safety	2,905
Capital outlay	<u>20,264</u>
Total encumbrances	<u>\$ 25,369</u>

**NOTE 9 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2014 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 867,720
Less:	
General obligation bonds payable	<u>(186,280)</u>
Total net investment in capital assets	681,440
Unrestricted	<u>136,623</u>
Total net position	<u>\$ 818,063</u>

None of the net assets are restricted by enabling legislation.

**NOTE 10 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

<b>Committed:</b>	
Major fund:	
General:	
Expendable trust	\$ 60,020
<b>Assigned:</b>	
Major fund:	
General:	
Encumbrances	25,369
<b>Unassigned:</b>	
General fund	<u>81,471</u>
Total governmental fund balances	<u>\$ 166,860</u>

**WEST OSSIPPEE FIRE PRECINCT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

**NOTE 11 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (GAAP Basis) Exhibit C-3	General Fund (Budgetary Basis) Exhibit D
To recognize a refund of an early debt payment in prior year	\$ 24,719	\$ 24,719	\$ 24,719
To adjust the debt payable to actual due to prepayment of debt	(20,000)	-	-
Net position/fund balance, as previously reported	742,347	86,086	16,464
Net position/fund balance, as restated	<u>\$ 747,066</u>	<u>\$ 110,805</u>	<u>\$ 41,183</u>

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**OTE 12 – 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 2014, the Precinct was a member of the Local Government Center Property-Liability Trust, LLC Worker’s Compensation Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for its members.

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 Town 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, 2014, to be recorded as an insurance expenditure totaled \$14,352. There were no unpaid contributions for the year ended December 31, 2014.

**NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncement was implemented by the Precinct for the fiscal year ended December 31, 2014, which did not impact these financial statements:

**GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees,** issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

**NOTE 14 – 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 February 3, 2016, the date the December 31, 2014 financial statements were available to be 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, 2014*

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:			
Precinct assessment	\$ 419,006	\$ 419,006	\$ -
Miscellaneous:			
Interest on investments	100	45	(55)
Other	3,414	886	(2,528)
Total from miscellaneous	<u>3,514</u>	<u>931</u>	<u>(2,583)</u>
Total revenues	<u>\$ 422,520</u>	<u>\$ 419,937</u>	<u>\$ (2,583)</u>

**SCHEDULE 2**  
**WEST OSSIPPEE FIRE PRECINCT**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2014**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 14,400	\$ 14,193	\$ -	\$ 207
Financial administration	-	6,000	6,500	-	(500)
Legal	-	1,000	-	-	1,000
General government buildings	-	46,720	38,542	2,200	5,978
Insurance, not otherwise allocated	-	19,100	20,362	-	(1,262)
Total general government	<u>-</u>	<u>87,220</u>	<u>79,597</u>	<u>2,200</u>	<u>5,423</u>
Public safety:					
Fire	<u>29,610</u>	<u>205,700</u>	<u>168,471</u>	<u>2,905</u>	<u>63,934</u>
Highways and streets:					
Street lighting	<u>-</u>	<u>600</u>	<u>518</u>	<u>-</u>	<u>82</u>
Debt service:					
Principal of long-term debt	-	35,000	35,000	-	-
Interest on long-term debt	-	16,000	15,007	-	993
Leases	<u>-</u>	<u>28,000</u>	<u>30,699</u>	<u>-</u>	<u>(2,699)</u>
Total debt service	<u>-</u>	<u>79,000</u>	<u>80,706</u>	<u>-</u>	<u>(1,706)</u>
Capital outlay	<u>-</u>	<u>30,000</u>	<u>34,599</u>	<u>20,264</u>	<u>(24,863)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 29,610</u>	<u>\$ 422,520</u>	<u>\$ 383,890</u>	<u>\$ 25,369</u>	<u>\$ 42,871</u>

*SCHEDULE 3  
WEST OSSIPPEE FIRE PRECINCT  
Major General Fund  
Schedule of Changes in Unassigned Fund Balance  
For the Fiscal Year Ended December 31, 2014*

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 11)		\$ 41,183
2014 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (2,583)	
Unexpended balance of appropriations (Schedule 2)	42,871	
2014 Budget surplus		40,288
Unassigned fund balance, ending (Non-GAAP Budgetary Basis, Exhibit D)		\$ 81,471





# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS***

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 West Ossipee Fire Precinct as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered 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 West Ossipee Fire Precinct's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency in internal control to be a material weakness:

### **Account Reconciliations**

As noted in the prior year, our audit procedures revealed that there is no systematic method for ensuring that timely and complete monthly reconciliation and closing procedures take place. This leads to a number of balance sheet accounts being out of balance, which renders the accounting information less useful in making well informed business decisions. This lack of reconciliation could ultimately cause significant errors and irregularities in the financial records to exist and continue without notice.

At the completion of fieldwork the Secretary posted all the audit adjustments, so that the 2015 financial records were started correctly. We recommend the establishment of a system of consistent monthly reconciliations and closing procedures, which are performed by the Secretary and then reviewed by the Board of Commissioners.

A significant deficiency is a deficiency, or a combination of 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 deficiency in internal control to be a significant deficiency:

### **Purchase Orders**

The Precinct is not in compliance 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 noted there were 5 of 37 items tested where the purchase order was not dated and we were unable to determine if the purchase order was obtained prior to the goods and/or services being received.

*West Ossipee Fire Precinct  
Independent Auditor's Communication of Significant Deficiency and Material Weakness*

In order to reduce the possibility of unauthorized purchases, and to retain control over purchase orders, we recommend that employees should be reminded that purchase orders need to be properly completed, including dating of the purchase order to allow for the purchase order process to be more effective and efficient.

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

February 3, 2016

*Plodzik & Sanderson  
Professional Association*