

WEST OSSIPPEE FIRE PRECINCT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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 each major fund of the West Ossipee Fire Precinct as of and for the fiscal year ended December 31, 2009, which collectively comprise the Precinct's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 each major fund of the West Ossipee Fire Precinct as of December 31, 2009, and the respective changes in financial position thereof 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 3, 2011

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
WEST OSSIPPEE FIRE PRECINCT
Statement of Net Assets
December 31, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 42,323
Other receivables, net of allowance for uncollectible amounts	26
Capital assets, net of accumulated depreciation:	
Buildings	424,158
Machinery, equipment and vehicles	477,345
Total assets	943,852
LIABILITIES	
Accounts payable	8,285
Intergovernmental payable	8,013
Accrued interest payable	11,220
Unearned revenue	28,207
Noncurrent obligations:	
Due within one year:	
Bond	30,000
Capital leases	39,083
Due in more than one year:	
Bond	343,000
Capital leases	71,975
Total liabilities	539,783
NET ASSETS	
Invested in capital assets, net of related debt	417,445
Unrestricted	(13,376)
Total net assets	\$ 404,069

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, 2009

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental activities:			
General government	\$ 113,803	\$ -	\$ (113,803)
Public safety	274,688	4,880	(269,808)
Highways and streets	109	-	(109)
Interest on long-term debt	7,755	-	(7,755)
Capital outlay	35,105	-	(35,105)
Total governmental activities	<u>\$ 431,460</u>	<u>\$ 4,880</u>	<u>(426,580)</u>
General revenues:			
Precinct assessment			405,959
Miscellaneous			18,505
Total general revenues			<u>424,464</u>
Change in net assets			(2,116)
Net assets, beginning			406,185
Net assets, ending			<u>\$ 404,069</u>

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

EXHIBIT C-1
WEST OSSIPPEE FIRE PRECINCT
Governmental Funds
Balance Sheet
December 31, 2009

	General	Capital Project Fund Fire Station	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 42,323	\$ -	\$ 42,323
Accounts receivable, net of allowance for uncollectible amounts	26	-	26
Total assets	<u>\$ 42,349</u>	<u>\$ -</u>	<u>\$ 42,349</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,285	\$ -	\$ 8,285
Intergovernmental payable	8,013	-	8,013
Deferred revenue	28,207	-	28,207
Total liabilities	44,505	-	44,505
Fund balances:			
Unreserved, undesignated	(2,156)	-	(2,156)
Total liabilities and fund balances	<u>\$ 42,349</u>	<u>\$ -</u>	<u>\$ 42,349</u>

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

EXHIBIT C-2
WEST OSS�PEE FIRE PRECINCT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2009

Total fund balances of governmental funds (Exhibit C-1)		\$ (2,156)
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	\$ 1,278,022	
Less accumulated depreciation	<u>(376,519)</u>	
		901,503
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(11,220)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 373,000	
Capital leases	<u>111,058</u>	
		<u>(484,058)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 404,069</u></u>

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

EXHIBIT C-3
WEST OSSIPPEE FIRE PRECINCT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2009

	General	Capital Project Fund Fire Station	Total Governmental Funds
Revenues:			
Taxes	\$ 405,959	\$ -	\$ 405,959
Intergovernmental	4,880	-	4,880
Miscellaneous	18,505	-	18,505
Total revenues	<u>429,344</u>	<u>-</u>	<u>429,344</u>
Expenditures:			
Current:			
General government	113,803	-	113,803
Public safety	291,357	-	291,357
Highways and streets	109	-	109
Capital outlay	35,105	389,435	424,540
Total expenditures	<u>440,374</u>	<u>389,435</u>	<u>829,809</u>
Deficiency of revenues under expenditures	<u>(11,030)</u>	<u>(389,435)</u>	<u>(400,465)</u>
Other financing sources (uses):			
Transfers in	-	16,435	16,435
Transfers out	(16,435)	-	(16,435)
Debt proceeds	-	373,000	373,000
Total other financing sources and uses	<u>(16,435)</u>	<u>389,435</u>	<u>373,000</u>
Net change in fund balances	(27,465)	-	(27,465)
Fund balances, beginning	25,309	-	25,309
Fund balances, ending	<u>\$ (2,156)</u>	<u>\$ -</u>	<u>\$ (2,156)</u>

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, 2009

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (27,465)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capitalized capital outlay	\$ 410,940	
Depreciation expense	<u>(47,455)</u>	363,485
<p>The proceeds of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Debt issued	\$ (373,000)	
Repayment of capital lease principal	<u>42,619</u>	(330,381)
<p>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.</p>		
Increase in accrued interest expense		<u>(7,755)</u>
Changes in net assets of governmental activities (Exhibit B)		<u>\$ (2,116)</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
AS OF AND FOR THE FISCAL YEAR ENDED
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WEST OSS�PEE FIRE PRECINCT
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 Financial Statement 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 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 three categories; invested in capital assets, net of related debt; restricted; 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 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. Financial statements of the Precinct are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized as major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Precinct or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type; and
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.
- (c) In addition, any other governmental fund that the Precinct believes is particularly important to the financial statement users may be reported as a major fund.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Governmental Activities – Governmental funds are identified as general and capital project funds, based upon the following guidelines:

General Fund – is the primary operating fund of the Precinct and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Funds – is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Major Funds - The Precinct reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Jewell Hill Capital Project Fund – accounts for the activity pertaining to the construction of the Jewell Hill fire station.

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. Property taxes, grants and contracts, 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 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 governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 primarily of demand deposits.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 N.H. 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. These receivables are reported net of any allowances for uncollectible accounts.

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:

	Years
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-G Allowance for Uncollectible Accounts

An allowance for uncollectible accounts has been recorded for the following purpose:

Accounts receivable – an allowance has been established where collectability is in doubt.

1-H Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

1-I 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.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-J Long-Term Obligations

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

1-K 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-L 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, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt.
- 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 fund balance amounts represent amounts available for use in future periods.

1-M Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-N 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 FOR DEPOSITS

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, 2009, none of the Precinct’s bank balances of \$59,421 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 3 – OTHER RECEIVABLES

Receivables at December 31, 2009, 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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Receivables as of December 31, 2009 for the Precinct's major funds in the aggregate, including an applicable allowance for uncollectible amounts, are as follows:

Accounts	\$ 2,526
Less: allowance for uncollectible amounts	<u>(2,500)</u>
Net receivables	<u>\$ 26</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 consisted of the following:

	Balance, beginning	Changes	Balance, ending
At cost:			
Being depreciated:			
Buildings	\$ 99,171	\$ 389,435	\$ 488,606
Machinery, equipment and vehicles	<u>767,911</u>	<u>21,505</u>	<u>789,416</u>
Total capital assets being depreciated	<u>867,082</u>	<u>410,940</u>	<u>1,278,022</u>
Less accumulated depreciation:			
Buildings	(62,465)	(1,983)	(64,448)
Machinery, equipment and vehicles	<u>(266,599)</u>	<u>(45,472)</u>	<u>(312,071)</u>
Total accumulated depreciation	<u>(329,064)</u>	<u>(47,455)</u>	<u>(376,519)</u>
Net book value, capital assets being depreciated	<u>538,018</u>	<u>363,485</u>	<u>901,503</u>
Net book value, all capital assets	<u>\$ 538,018</u>	<u>\$ 363,485</u>	<u>\$ 901,503</u>

Depreciation expense of \$47,455 was charged to the public safety function.

NOTE 5 – INTERFUND TRANSFER

The interfund transfer during the year ended December 31, 2009 was as follows:

	Transfer In:
	Capital
	Project Fund
Transfer out:	
General fund	\$ 16,435

The transfer was made in order to cover the fund deficit in the capital project fund.

NOTE 6 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2009 consist of the following:

Miscellaneous fees due to the Town of Ossipee	\$ 3,978
Retirement contribution due to New Hampshire Retirement System	<u>4,035</u>
Total intergovernmental payables	<u>\$ 8,013</u>

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at December 31, 2009 consists of \$28,207 in insurance reimbursements received for damages to a fire boat in advance of repairs being made.

NOTE 8 – LONG-TERM LIABILITIES

Changes in the Precinct’s long-term obligations consisted of the following for the year ended December 31, 2009:

	General Obligation Bond Payable	Capital Leases Payable	Total
Balance, beginning	\$ -	\$ 153,677	\$ 153,677
Additions	373,000	-	373,000
Reductions	-	(42,619)	(42,619)
Balance, ending	<u>\$ 373,000</u>	<u>\$ 111,058</u>	<u>\$ 484,058</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2009	Current Portion
General obligation bond payable:						
Jewell Hill Fire Station	\$ 373,000	2009	2019	5.96	\$ 373,000	\$ 30,000
Capital leases payable:						
Fire engine	\$ 215,901	2004	2012	4.62	105,596	33,621
Truck	\$ 39,750	2006	2010		5,462	5,462
					<u>111,058</u>	<u>39,083</u>
Total					<u>\$ 484,058</u>	<u>\$ 69,083</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 30,000	\$ 20,747	\$ 50,747
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
2015-2019	211,000	42,158	253,158
Totals	<u>\$ 373,000</u>	<u>\$ 132,891</u>	<u>\$ 505,891</u>

The annual requirements to amortize the capital leases payable as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 39,083	\$ 5,032	\$ 44,115
2011	35,175	3,325	38,500
2012	36,800	1,700	38,500
Totals	<u>\$ 111,058</u>	<u>\$ 10,057</u>	<u>\$ 121,115</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.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 9 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2009 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 901,503
Less:	
General obligation bond payable	(373,000)
Capital leases payable	(111,058)
Total invested in capital assets, net of related debt	417,445
Unrestricted	(13,376)
Total net assets	\$ 404,069

NOTE 10 – DEFICIT FUND BALANCE

The general fund had a deficit fund balance of \$2,156 at December 31, 2009. This deficit will be financed through future operating revenues of the fund.

NOTE 11 – 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 2009, the Precinct contributed 14.36% for fire. As of July 1, those rates increased to 17.28%. The contribution requirement for the West Ossipee Fire Precinct for the fiscal year 2009 was \$9,875, which was paid in full.

For the first six months of 2009, the State of New Hampshire funded 35% the total employer normal contribution rate for firefighters employed by the Precinct. As of July 1, the funding rate decreased to 30% of the total employer normal contribution rate. This amount, \$4,880, 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 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 2009, 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 coverage 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 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.

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

Contributions paid in 2009 for fiscal year 2010, ending June 30, 2010, to be recorded as an insurance expenditure totaled \$7,412. The Precinct also paid \$5,624 for workers' compensation insurance in 2009. There were no unpaid contributions for the year ending June 30, 2010 and due in 2009. 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 13 – CONTINGENT LIABILITIES

The Precinct has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Precinct believes such disallowances, if any, will be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

At the 2010 annual meeting, the Precinct appropriated \$10,000 to cover the cost of debt service to be incurred on the Jewell Hill Fire Station general obligation bond. However, as noted in Note 8 to the financial statements, the Precinct will owe \$20,747 in interest and \$30,000 in principal on the bond during 2010, for total debt service expenditures of \$50,747. The Precinct's failure to properly budget for these expenses may create a cash shortfall, as well as increase the deficit in the general fund, by an amount which may be material to the financial statements.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statements No. 55 and 56 as follows:

GASB Statement No.55 *The Hierarchy of Generally Accepted Principles for State and Local Governments*

GASB Statement No.56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

The statements, which became effective at the time of issuance, were implemented by the Precinct this year with no significant impact. Statements 53 and 54, which were also issued in 2009, are not effective until fiscal year ended December 31, 2010 and 2011, respectively. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, will not affect the Precinct. However, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be mandatory for all governmental entities.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT D-1
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, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 405,959	\$ 405,959	\$ 405,959	\$ -
Intergovernmental	15,000	-	-	-
Miscellaneous	171	18,065	18,505	440
Total revenues	<u>421,130</u>	<u>424,024</u>	<u>424,464</u>	<u>440</u>
Expenditures:				
Current:				
General government	93,550	93,550	113,803	(20,253)
Public safety	258,880	261,774	286,477	(24,703)
Highways and streets	3,200	3,200	109	3,091
Debt service:				
Principal	52,000	52,000	-	52,000
Interest	1,200	1,200	-	1,200
Capital outlay	12,300	12,300	35,105	(22,805)
Total expenditures	<u>421,130</u>	<u>424,024</u>	<u>435,494</u>	<u>(11,470)</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(11,030)</u>	<u>(11,030)</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(16,435)</u>	<u>(16,435)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(27,465)</u>	<u>\$ (27,465)</u>
Unreserved fund balance, beginning			<u>25,309</u>	
Unreserved fund balance, ending			<u>\$ (2,156)</u>	

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

EXHIBIT D-2
WEST OSSIPPEE FIRE PRECINCT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Jewell Hill Capital Project Fund
For the Fiscal Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 61,000	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public safety	61,000	-	-	-
Capital outlay	373,000	373,000	389,435	(16,435)
Total expenditures	434,000	373,000	389,435	(16,435)
Deficiency of revenues under expenditures	(373,000)	(373,000)	(389,435)	(16,435)
Other financing sources:				
Debt issued	373,000	373,000	373,000	-
Transfers in	-	-	16,435	16,435
Total other financing sources	373,000	373,000	389,435	16,435
Net change in fund balances	\$ -	\$ -	-	\$ -
Unreserved fund balance, beginning			-	
Unreserved fund balance, ending			\$ -	

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, 2009

General Budget Policies	1
Budgetary Reconciliation	2
Excesses of Expenditures over Expenditures	3

WEST OSS�PEE FIRE PRECINCT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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 adopted a budget for the current year for the general and capital project funds. 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.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2009, none of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 424,464
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	4,880
Per Exhibit C-3 (GAAP basis)	\$ 429,344
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 451,929
Adjustment:	
Basis differences:	
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	4,880
Per Exhibit C-3 (GAAP basis)	\$ 456,809

3. Excesses of Expenditures over Appropriations

The general fund and capital project funds had excesses of expenditures over appropriations for the year ended December 31, 2009 of \$27,905 and \$16,435, respectively. The overexpenditure in the general fund was financed by excess revenues of \$440 and use of all of the beginning unreserved fund balance of \$25,309, thereby, leaving the general fund in a deficit position of \$2,156 at December 31, 2009. The overexpenditure in the capital project fund was financed by a transfer from the general fund.

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, 2009*

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:			
Precinct assessment	\$ 405,959	\$ 405,959	\$ -
Miscellaneous:			
Interest on investments	171	176	5
Insurance dividends and reimbursements	17,894	17,894	-
Other	-	435	435
Total from miscellaneous	<u>18,065</u>	<u>18,505</u>	<u>440</u>
Total revenues	<u>\$ 424,024</u>	<u>\$ 424,464</u>	<u>\$ 440</u>

SCHEDULE 2
WEST OSSIPPEE FIRE PRECINCT
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Current:			
General government:			
Executive	\$ 17,450	\$ 49,114	\$ (31,664)
Legal	3,000	3,777	(777)
General government buildings	30,900	23,025	7,875
Insurance, not otherwise allocated	42,200	37,887	4,313
Total general government	<u>93,550</u>	<u>113,803</u>	<u>(20,253)</u>
Public safety:			
Fire	<u>261,774</u>	<u>286,477</u>	<u>(24,703)</u>
Highways and streets:			
Street lighting	<u>3,200</u>	<u>109</u>	<u>3,091</u>
Debt service:			
Principal of long-term debt	52,000	-	52,000
Interest on tax anticipation notes	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total debt service	<u>53,200</u>	<u>-</u>	<u>53,200</u>
Capital outlay:			
Machinery, vehicles, and equipment	<u>12,300</u>	<u>35,105</u>	<u>(22,805)</u>
Other financing uses:			
Transfers out	<u>-</u>	<u>16,435</u>	<u>(16,435)</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 424,024</u>	<u>\$ 451,929</u>	<u>\$ (27,905)</u>

SCHEDULE 3
WEST OSSIPPEE FIRE PRECINCT
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

Unreserved, undesignated fund balance, beginning		\$ 25,309
2009 Budget summary:		
Revenue surplus (Schedule 1)	\$ 440	
Overdraft of appropriations (Schedule 2)	<u>(27,905)</u>	
2009 Budget deficit		<u>(27,465)</u>
Unreserved, undesignated fund balance, ending		<u>\$ (2,156)</u>



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INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

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

In planning and reporting our audit of the financial statements of the West Ossipee Fire Precinct as of and for the fiscal year ended December 31, 2009, 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Precinct's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Precinct's internal control. We consider the following deficiency to be a significant deficiency in internal control.

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. This does not violate professional independence standards as management takes responsibility for the statements. At present, it is felt that this is the most cost effective option for the Precinct.

Since there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by management's review of the financial statements, we consider this to be a significant deficiency in internal control. We recommend that the Board of Commissioners consider providing additional training to the Administrative Assistant so that she could prepare the monthly and year-end financial statements and disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Precinct's internal control. We believe that the following deficiencies constitute material weaknesses.

Overdraft of Appropriations and Application of the Municipal Budget Law RSA Chapter 32

As noted on the budgetary statements, the Precinct overspent the general operating fund budget by \$28,282 in 2009. This amount included a transfer to the fire station capital project fund of \$16,435, in order to cover for overexpenditures in the fund above the bond proceeds of \$373,000.

The Precinct officially became a Village District under RSA 52, as a result of ratification by State legislative action dated June 3, 2009. As a result of this action, the Precinct became obligated to comply with the provisions of the Municipal Budget Law, RSA Chapter 32.

*West Ossipee Fire Precinct
Independent Auditor's Communication of Control Deficiencies and Other Matters*

Under these provisions, the law provides that emergency expenditures must first be approved by the Commissioner of Revenue Administration prior to the actual expense being incurred. There was no indication that this approval was solicited or received.

We suggest that the Commissioners become familiar with the laws dealing with Village District's, particularly the Municipal Budget Law in order to assure future compliance.

Precinct Policies

The Precinct's control policies should require that management and employees establish and maintain an environment throughout the Precinct that sets a positive and supportive attitude toward internal control and conscientious management. The control environment established by the Board of Commissioners sets the tone for how the Precinct employees and elected officials conduct its business.

As the Board of Commissioners strives to achieve the goals of the Precinct and provide accountability for their operations, they need to continually examine internal controls to determine how well they are performing, how they may be improved and the degree to which they help identify and address major risks for fraud, waste, abuse and mismanagement.

We noted that the Precinct has not yet established any formally adopted policies for code of ethics, anti-fraud, internet use, disaster recovery, accounting policies and procedures, and computer use, which are essential tools necessary to manage the Precinct's operations efficiently and effectively.

We strongly recommend that the Board of Commissioners develop and formally adopt the above noted policies in order to clearly communicate the Precinct's position on these issues. Adopting the various policies is critical in preventing interruptions due to personnel vacancies, facilitating supervision and evaluation, and will help to minimize the risk of loss.

Management's Response: We are looking for guidance from the auditors with creation of these policies.

Treasurer's Duties

We noted that the Treasurer does not maintain a separate cashbook for any of the Precinct's bank accounts. Instead, he relies on the general ledger system maintained by the administrative assistant, to which he has access. Not only does this prevent adequate segregation of duties within the Precinct, but the treasurer should be maintaining a separate cashbook as part of the duties inherent in his position.

We recommend that the Treasurer maintain a cashbook for each bank account maintained by the Precinct, which should be reconciled monthly with the general ledger. In addition, the Treasurer should not have any access to the Administrative Assistant's general ledger system.

Management's Response: Effective October 1, 2010, the Treasurer will maintain a separate set of books for the Precinct. This cashbook will contain all deposits and checks from the checking and money market accounts. The Administrative Assistant will be responsible for accounts payable, accounts receivable, and payroll. After the manifest is approved by the Commissioners, the Administrative Assistant will print all corresponding checks and take to the Treasurer, along with a copy of the approved manifest. The Treasurer will sign the checks and record the net amounts in his cashbook. The Treasurer's cashbook system can either be a handwritten ledger or a computer file.

Deposits

We noted that the Treasurer does not receive a copy of the deposit information after a deposit has been made. By this not occurring, the Treasurer is unable to track the month's activity or monitor the cash balance. Since the cash balance is not monitored on a regular basis, the Precinct incurred an inordinate amount of bank overdraft fees during the year due to bounced checks. In addition, it was noted that receipt documentation for each deposit is not kept with the deposit record. Instead, it is kept in a separate folder maintained by the Administrative Assistant.

We recommend that once a deposit is made, a copy of the deposit, including receipt documentation, is retained on file by the Administrative Assistant. Then the original deposit slip and receipt documentation should be given to the Treasurer for him to record and retain for his records. Also, we recommend that the treasurer monitor the Precinct's cash balance on a regular basis to prevent unnecessary bank fees.

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Independent Auditor's Communication of Control Deficiencies and Other Matters*

Management's Response: This recommendation has been addressed in the *West Ossipee Fire Precinct Bookkeeping Procedures – Deposits* policy adopted by the Board of Commissioners on September 13, 2010. Effective October 1, 2010, the Treasurer will maintain a separate set of books for the Precinct. This cashbook will contain all deposits and checks from the checking and money market accounts.

Bank Reconciliations

The Administrative Assistant is responsible for performing the monthly bank reconciliations of the Precinct's cash accounts. These reconciliations are not formally reviewed or approved by the Treasurer.

We recommend that the Treasurer review and formally approve the monthly bank reconciliations prepared by the Administrative Assistant.

Management's Response: This recommendation has been addressed in the *West Ossipee Fire Precinct Bookkeeping Procedures – Bank Account Reconciliation* policy adopted by the Board of Commissioners on September 13, 2010.

Bank Transfers

We noted that the Administrative Assistant is able to access the Precinct's bank accounts via the internet and transfer money between accounts, without the knowledge of the Precinct treasurer. In addition, the Administrative Assistant does not maintain any paperwork to support these transfers after they are made. Not only is adequate segregation of duties not being maintained, but the Treasurer should be the only individual authorized to access the Precinct's bank accounts.

We recommend that the Treasurer be the only individual authorized to make transfers between bank accounts. Once the transfer has been made, supporting documentation for the transfer should be retained by the Treasurer and a copy should be given to the Administrative Assistant, so that she can make the appropriate entry in her general ledger system.

Management's Response: This recommendation has been addressed in the *West Ossipee Fire Precinct Bookkeeping Procedures – Deposits* policy adopted by the Board of Commissioners on September 13, 2010.

Journal Entries

As noted above, the Treasurer has access to the Administrative Assistant's general ledger system. Along with this access, he is responsible for recording adjusting entries in the system. These entries are not reviewed or approved by anyone, as the Treasurer is the only individual within the Precinct who possesses the accounting knowledge necessary to understand why the entries are being made. Along with a lack of segregation of duties, there is also the risk that improper journal entries could be made without anyone's knowledge.

We recommend that journal entries be made by the Administrative Assistant and that appropriate supporting documentation be retained for each entry. The Treasurer and Administrative Assistant should review these entries with the Board of Commissioners at the monthly commissioner's meetings and obtain their full approval of the entries, while making note of this in the meeting minutes.

Management's Response: Effective October 1, 2010, the Treasurer will maintain a separate set of books for the Precinct and will no longer have access to the general ledger system.

Debit Card

We noted that the Precinct has a debit card. Purchases made on the card are not included on the accounts payable manifests which are presented to the Board of Commissioners for approval. This creates the risk that unauthorized expenditures could be made using the card. In addition, it was noted that supporting documentation is not always retained for the purchases made.

We recommend that written approval of all debit card purchases should be obtained. Then on a monthly basis a vendor manifest should be prepared containing all of the debit charges so that these charges can be properly approved by the majority of the Board of Commissioners. Also, we recommend that all debit card purchases be supported by the appropriate documentation.

*West Ossipee Fire Precinct
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Management's Response: These recommendations have been addressed in the *West Ossipee Fire Precinct Bookkeeping Procedures – Debit Card Transactions and Accounts Payable* policies adopted by the Board of Commissioners on September 13, 2010. The Commissioners had voted to cancel the debit card but have been unable to locate a credit card company that will issue a card without a personal guarantor - a responsibility that none of the Commissioners feel comfortable accepting at this time. As they continue to explore alternatives, the debit card will remain in effect.

Vendor Manifests

We noted that once vendor manifests have been approved by the Board of Commissioners, the Treasurer is not retaining a copy as proof that the checks can be released for payment. The Treasurer can only release funds upon the formal approval of the Board of Commissioners, and presently he is not retaining proof that this approval has been obtained.

We recommend that the Treasurer retain a copy of the vendor manifest as proof that he has been given the authority to release the funds for payment.

Management's Response: This recommendation has been addressed in the *West Ossipee Fire Precinct Bookkeeping Procedures – Accounts Payable* policy adopted by the Board of Commissioners on September 13, 2010.

Purchasing Policy

We noted that the Precinct has implemented a purchasing policy which states that all purchases require the use of a purchase order. However, we noted that purchase orders were not being used on a consistent basis. Not only is the Precinct not in compliance with its purchase order policy, but by not using purchase orders, management cannot estimate upcoming expenditures.

We recommend that if it wasn't the Precinct's intent to obtain a purchase order for every purchase, then the Board of Commissioners should rewrite the purchasing policy to reflect its true intent. If it is the intent of the Board to obtain a purchase order for each disbursement, then the Board should be enforcing its policy by ensuring a purchase order is obtained for every disbursement.

Management's Response: Purchase orders will only be required for purchases over \$500.

Segregation of Duties

We noted that the Administrative Assistant, who is responsible for maintaining the general ledger for the Precinct, is also the Deputy Treasurer. This situation does not allow for adequate segregation of duties, as the Administrative Assistant is responsible for both recording accounts payable transactions and authorizing the disbursement of those funds.

We recommend that the Administrative Assistant immediately step down as Deputy Treasurer, and that the Board of Commissioners appoint a new Deputy Treasurer who is not involved in the accounting process in the Precinct.

Management's Response: The Administrative Assistant has stepped down as Deputy Treasurer and no replacement has been appointed. The Commissioners decided instead that each of them remain as signers on the bank account and therefore can fill in should there be a Treasurer's absence.

Payroll Processing

The following deficiencies in the Precinct's payroll processing procedures were noted:

1. The Administrative Assistant's timesheets are not being signed by her immediate supervisor, the Fire Chief.
2. We noted that several payroll manifests prepared during the year were not approved by the Board of Commissioners.
3. The payroll worksheet, which reports the firefighters' pay, is not being formally approved by the Fire Chief.
4. The weekly payroll taxes are not included on a manifest, thus they are not being approved by the Board of Commissioners.
5. The Treasurer prepares the payroll using his personal business software and then signs the payroll checks. The payroll is not approved until the next commissioner's meeting, which means the payroll is being processed and released without any formal approval by the commissioners.
6. The Precinct has been paying firefighters on a less than weekly basis without fulfilling the necessary state requirements, and thus is not in compliance with state regulations.

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Independent Auditor's Communication of Control Deficiencies and Other Matters*

In regard to the above, we recommend the following:

1. We recommend that once the timesheet has been completed it be signed by the employee as approval for the hours reported, and then be signed by the Fire Chief showing that he is in agreement with the hours reported by the employee.
2. We recommend that all payroll manifests be approved prior to the release of the payroll checks.
3. We recommend that the payroll worksheet be reviewed and formally approved by the Fire Chief prior to it being processed by the Treasurer.
4. We recommend that a manifest be prepared that includes the payroll taxes to be paid, which should then be approved by the Board of Commissioners.
5. We recommend that the Board of Commissioners review and approve the payroll manifests prior to the release of payroll checks to employees. Also, we recommend that the Treasurer not be responsible for both processing payroll and signing the payroll checks.
6. We recommend the Precinct fulfill the necessary state requirements before continuing to pay firefighters on a less than weekly basis.

Management's Response: These recommendations have been addressed in the *West Ossipee Fire Precinct Bookkeeping Procedures – Payroll and Accounts Payable* policies adopted by the Board of Commissioners on September 13, 2010. Effective October 1, 2010, the Treasurer will maintain a separate set of books for the Precinct. The Administrative Assistant will be responsible for payroll processing. The safety committee is now meeting regularly and the safety summary form has been filed with the NH Department of Labor. Additionally, the Precinct has reapplied for permission to pay less than weekly. The Commissioners are awaiting a response for the NH Department of Labor.

Trust Funds

We noted that a maintenance expendable trust fund was established in 2005 naming the Commissioners as agents to expend. This money was never turned over to the Town trustees, as should have been when it was created. Instead, the money was maintained by the Precinct's Treasurer. In 2009, a warrant article at the annual Precinct meeting voted to discontinue the trust fund and return the remaining funds to the general fund. Since the money was already reported in the general fund, this was essentially done.

Since there are no remaining trust funds in the Treasurer's custody, no further action is required. However, we recommend that if any trust funds are established in the future, they should be turned over to the trustees of trust funds and maintained by them.

Management's Response: In agreement.

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

January 3, 2011

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