

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

October 13, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Westory Fire Agency for the year ended June 30, 2011.

The Agency had total receipts of \$122,068 during the year ended June 30, 2011, an 18.2% decrease from the prior year. The receipts included township and city contributions of \$119,945, \$1,788 from miscellaneous receipts, \$185 of interest on investments and donations of \$150.

Disbursements for the year totaled \$99,075, a 53.5% decrease from the prior year, and included \$25,958 for maintenance and repair and \$15,421 for insurance. The Agency also disbursed \$20,000 to the Gilbert/Franklin Fire and Emergency Response Agency. The decrease in disbursements is due primarily to a decrease in fire and rescue equipment purchases during fiscal year 2011.

The report contains a recommendation to the Agency to review operating procedures to segregate duties for the collection of receipts, deposit preparation and disbursements. The Agency responded favorably to the recommendation.

A copy of the audit report is available for review at the Westory Fire Agency, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1114-0003-B00F.pdf>.

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WESTORY FIRE AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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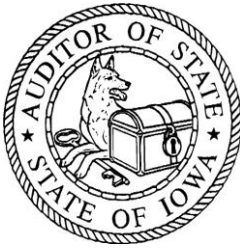
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Westory Fire Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Troy Buchman	Chair	City of Gilbert
Chris Albrecht	Member	City of Kelley
Bob Finch	Member	Washington Township
Lisa Heddens	Member	Franklin Township
Todd Moomaw	Member	At Large
Joan Ballard	Secretary/Treasurer	

Westory Fire Agency



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Independent Auditor's Report

To the Members of the Westory Fire Agency:

We have audited the accompanying financial statement of the Westory Fire Agency as of and for the year ended June 30, 2011. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Westory Fire Agency as of June 30, 2011, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2011 on our consideration of the Westory Fire Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 8 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. 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. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Westory Fire Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Westory Fire Agency is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2011 FINANCIAL HIGHLIGHTS

- The Agency's operating receipts decreased 11.1%, or \$15,190, from fiscal year 2010 to fiscal year 2011.
- The Agency's operating disbursements increased 70.3%, or \$28,004, from fiscal year 2010 to fiscal year 2011.
- The Agency's non-operating disbursements decreased 82%, or \$141,974, from fiscal year 2010 to fiscal year 2011.
- The Agency's net assets increased 18.7%, or \$22,993, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Westory Fire Agency's financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the Agency's cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for services provided by the Westory Fire Agency. The Westory Fire Agency provides fire protection and emergency medical services to the citizens of the member cities of Gilbert and Kelley and the member townships of Franklin and Washington. The Agency also provides services to Colfax Township. Operating disbursements are disbursements paid to operate the Westory Fire Agency. Non-operating receipts are for interest on investments and the sale of assets. Non-operating disbursements are for equipment purchased and a distribution to a newly formed agency. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2011 and June 30, 2010 is presented below:

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Operating receipts:		
Township contributions	\$ 95,497	113,788
City contributions	24,448	23,135
Miscellaneous	1,788	-
Total operating receipts	<u>121,733</u>	<u>136,923</u>
Operating disbursements:		
Training	2,347	3,916
Maintenance and repair	25,958	11,186
Utilities	10,315	8,178
Miscellaneous	29,243	16,579
Total operating disbursements	<u>67,863</u>	<u>39,859</u>
Excess of operating receipts over operating disbursements	<u>53,870</u>	<u>97,064</u>
Non-operating receipts (disbursements):		
Interest on investments	185	701
Sale of assets	-	11,537
Donations	150	-
Distribution to the Gilbert/Franklin Fire and Emergency Response Agency	(20,000)	-
Equipment	(11,212)	(173,186)
Total non-operating receipts (disbursements)	<u>(30,877)</u>	<u>(160,948)</u>
Change in cash basis net assets	22,993	(63,884)
Cash basis net assets beginning of year	<u>123,121</u>	<u>187,005</u>
Cash basis net assets end of year	<u>\$ 146,114</u>	<u>123,121</u>

In fiscal year 2011, operating receipts decreased \$15,190, or 11.1%. In fiscal year 2011, operating disbursements increased \$28,004, or 70.3%, over fiscal year 2010. Non-operating disbursements decreased \$141,974, or 82%, due to less equipment being purchased in fiscal year 2011 than in fiscal year 2010. Non-operating receipts decreased \$11,903, or 97.3%, due to no equipment sales during fiscal year 2011.

DEBT ADMINISTRATION

At June 30, 2011, the Agency had no long-term debt outstanding.

ECONOMIC FACTORS

The Westory Fire Agency's financial position increased 18.7%, or \$22,993, over fiscal year 2010. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities and equipment require constant maintenance and upkeep and need to be replaced at some point in time.
- Property tax rollback and annexation of land by the City of Ames from Washington and Franklin Townships will decrease the amount of funds available to the Agency.
- New training and safety standards will increase the cost of training for the Agency.

As of July 1, 2011, the Agency will restructure providing fire protection and emergency services to the City of Kelley and Washington Township. Operating receipts received for services are expected to decline, as are operating disbursements, as a result of the restructuring. The Agency will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Troy Buchman, Board Chair of Westory Fire Agency, P.O. Box 1, Gilbert, IA 50105.

Financial Statement

Exhibit A

Westory Fire Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2011

Operating receipts:	
Township contributions	\$ 95,497
City contributions	24,448
Miscellaneous	1,788
Total operating receipts	<u>121,733</u>
Operating disbursements:	
Training	2,347
Maintenance and repair	25,958
Utilities	10,315
Insurance	15,421
Medical	1,330
Fuel	3,774
Supplies	4,229
Professional services	2,099
Miscellaneous	2,390
Total operating disbursements	<u>67,863</u>
Excess of operating receipts over operating disbursements	<u>53,870</u>
Non-operating receipts (disbursements):	
Interest on investments	185
Donations	150
Distribution to the Gilbert/Franklin Fire and Emergency Response Agency	(20,000)
Equipment	(11,212)
Total non-operating receipts (disbursements)	<u>(30,877)</u>
Change in cash basis net assets	22,993
Cash basis net assets beginning of year	<u>123,121</u>
Cash basis net assets end of year	<u>\$ 146,114</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 146,114</u>

See notes to financial statement.

Westory Fire Agency

Notes to Financial Statement

June 30, 2011

(1) Summary of Significant Accounting Policies

The Westory Fire Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to save life and property from fire and render aid wherever possible in the event of an emergency in the community on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the two member townships, one representative from each of the two member cities and one at large member appointed by the other members. The Agency members are Franklin and Washington Townships of Story County and the Cities of Kelly and Gilbert.

A. Reporting Entity

For financial reporting purposes, the Westory Fire Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods on the connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

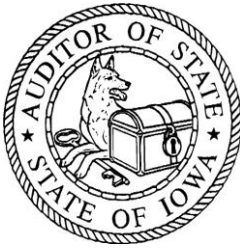
(3) Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(4) Subsequent Event

Effective July 1, 2011, the City of Gilbert and Franklin Township withdrew from the Westory Fire Agency and formed the Gilbert/Franklin Fire and Emergency Response Agency. The City of Kelley and Washington Township will continue to operate under the Westory Fire Agency name.

As part of the dissolution process, Westory Fire Agency distributed \$20,000 on June 13, 2011 to the Gilbert/Franklin Fire and Emergency Response Agency. The remaining balance was distributed to the Gilbert/Franklin Fire and Emergency Response Agency and the new Westory Fire Agency on September 1, 2011.



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Members of the Westory Fire Agency:

We have audited the accompanying financial statement of the Westory Fire Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated September 16, 2011. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Westory Fire Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Westory Fire Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Westory Fire Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the Westory Fire Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

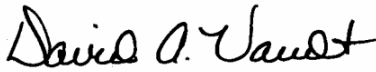
As part of obtaining reasonable assurance about whether the Westory Fire Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

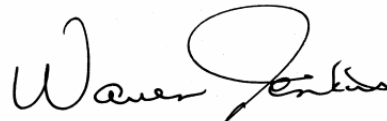
The Westory Fire Agency's written response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Westory Fire Agency's response, we did not audit the Westory Fire Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Westory Fire Agency and other parties to whom the Westory Fire Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Westory Fire Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 16, 2011

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2011

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over the collection of receipts and deposit preparation. In addition, this person also has control over check writing, reconciling and recording of disbursements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members.

Response – The Westory Fire Agency board realizes segregation of duties is important but with limited staff it is not feasible to segregate the duties.

Westory Fire Agency is also in the process of restructuring into two separate agencies effective July 1, 2011.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments – No deposits or investments were found that we believe were not in compliance with the investment policy established by the Agency.

Westory Fire Agency

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Jenny R. Lawrence, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State