



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

February 21, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Gilbert/Franklin Township Fire and Emergency Response Agency for the year ended June 30, 2012.

The Agency had total receipts of \$176,816 for the year ended June 30, 2012. The receipts included township and city contributions of \$72,388, \$1,158 from miscellaneous receipts, \$395 of interest on investments, \$3,750 of donations and \$99,125 from Westory Fire Agency.

Disbursements for the year totaled \$54,921, and included \$15,050 for equipment and \$14,429 for administration. The Agency also disbursed \$7,469 for support and recognition and \$6,926 for vehicles.

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 Gilbert/Franklin Township Fire and Emergency Response Agency, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1214-2356-B00F.pdf>.

###

**GILBERT / FRANKLIN TOWNSHIP FIRE AND
EMERGENCY RESPONSE AGENCY**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	6-8
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 10
Notes to Financial Statement	11-12
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 <u>Government Auditing Standards</u>	13-14
Schedule of Findings	15-17
Staff	18

Gilbert/Franklin Township Fire and Emergency Response Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Art Fleener	Chair	Franklin Township
Joe Loonan, Sr.	Vice-Chair	City of Gilbert
Linda Murken	Treasurer	Franklin Township
Lindsay Ellingson	Member	Franklin Township
Troy Buchman	Member	City of Gilbert
Nancy Long	Clerk	

Gilbert/Franklin Township Fire and Emergency Response Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Gilbert/Franklin Township Fire and Emergency Response Agency:

We have audited the accompanying financial statement of the Gilbert/Franklin Township Fire and Emergency Response Agency as of and for the year ended June 30, 2012. 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.

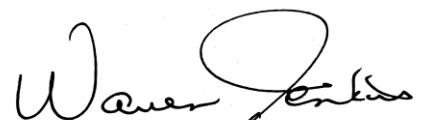
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Gilbert/Franklin Township Fire and Emergency Response Agency as of June 30, 2012, 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 January 28, 2013 on our consideration of the Gilbert/Franklin Township Fire and Emergency Response 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.

Our audit was conducted for the purpose of forming an opinion on the financial statement of the Gilbert/Franklin Township Fire and Emergency Response Agency. Management's Discussion and Analysis on pages 6 through 8 is presented for purposes of analysis and is not a required part of the financial statement. This information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Gilbert/Franklin Township Fire and Emergency Response Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Gilbert/Franklin Township Fire and Emergency Response Agency is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

Because this is the initial year for the Gilbert/Franklin Township Fire and Emergency Response Agency, comparative information for prior years is not available.

2012 FINANCIAL HIGHLIGHTS

- The Agency had operating receipts of \$73,546 during fiscal year 2012.
- The Agency had operating disbursements of \$39,871 during fiscal year 2012.
- The Agency had non-operating receipts of \$103,270 and non-operating disbursements of \$15,050 during fiscal year 2012.

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 Gilbert/Franklin Township Fire and Emergency Response 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 Gilbert/Franklin Township Fire and Emergency Response Agency. The Gilbert/Franklin Township Fire and Emergency Response Agency provides fire protection and emergency medical services to the citizens of the City of Gilbert and Franklin Township. Operating disbursements are disbursements paid to operate the Gilbert/Franklin Township Fire and Emergency Response Agency. Non-operating receipts are for interest on investments and the distribution of assets from the Westory Fire Agency. A summary of cash receipts, disbursements and changes in cash basis net assets for the year ended June 30, 2012 is presented below:

	Year Ended June 30, 2012
Operating receipts:	
Township contributions	\$ 53,567
City contributions	18,821
Miscellaneous	1,158
Total operating receipts	<u>73,546</u>
Operating disbursements:	
Administration	14,429
Communication	1,587
Equipment	2,990
Support and recognition	7,469
Station	1,570
Training	1,623
Utilities	3,277
Vehicles	6,926
Total operating disbursements	<u>39,871</u>
Excess of operating receipts over operating disbursements	<u>33,675</u>
Non-operating receipts (disbursements):	
Interest on investments	395
Donations	3,750
Distribution from Westory Fire Agency	99,125
Equipment	(15,050)
Total non-operating receipts (disbursements)	<u>88,220</u>
Change in cash basis net assets	121,895
Cash basis net assets beginning of year	<u>12,584</u>
Cash basis net assets end of year	<u>\$ 134,479</u>

In fiscal year 2012, operating receipts were \$73,546, or 41.6% of total receipts. In fiscal year 2012, operating disbursements were \$39,871. Non-operating receipts were \$103,270, or 58.4% of total receipts, due to a one time distribution of assets from Westory Fire Agency during fiscal year 2012.

DEBT ADMINISTRATION

At June 30, 2012, the Agency had no long-term debt outstanding.

ECONOMIC FACTORS

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 Franklin Township may decrease the amount of funds available to the Agency.
- New training and safety standards will increase the cost of training for the Agency.

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 Art Fleener, Board Chair of Gilbert/Franklin Township Fire and Emergency Response Agency, P.O. Box 484, Gilbert, IA 50105.

Financial Statement

Exhibit A

Gilbert/Franklin Township Fire and Emergency Response Agency

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

As of and for the year ended June 30, 2012

Operating receipts:	
Township contributions	\$ 53,567
City contributions	18,821
Miscellaneous	1,158
Total operating receipts	<u>73,546</u>
Operating disbursements:	
Administration	14,429
Communication	1,587
Maintenance and repair	2,990
Support and recognition	7,469
Station supplies	1,570
Training	1,623
Utilities	3,277
Vehicles	6,926
Total operating disbursements	<u>39,871</u>
Excess of operating receipts over operating disbursements	<u>33,675</u>
Non-operating receipts (disbursements):	
Interest on investments	395
Donations	3,750
Distribution from Westory Fire Agency	99,125
Equipment	(15,050)
Net non-operating receipts (disbursements)	<u>88,220</u>
Change in cash basis net assets	121,895
Cash basis net assets beginning of year	<u>12,584</u>
Cash basis net assets end of year	<u>\$ 134,479</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 134,479</u>

See notes to financial statement.

Gilbert/Franklin Township Fire and Emergency Response Agency

Notes to Financial Statement

June 30, 2012

(1) Summary of Significant Accounting Policies

The Gilbert/Franklin Township Fire and Emergency Response Agency was formed in 2011 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 three representatives from the member township and two representatives from the member city. The Agency members are Franklin Township of Story County and the City of Gilbert.

A. Reporting Entity

For financial reporting purposes, the Gilbert/Franklin Township Fire and Emergency Response 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 in 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, 2012 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 ensure 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 since inception of the Agency.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Gilbert/Franklin Township Fire and Emergency Response Agency:

We have audited the accompanying financial statement of the Gilbert/Franklin Township Fire and Emergency Response Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated January 28, 2013. 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

The management of the Gilbert/Franklin Township Fire and Emergency Response Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Gilbert/Franklin Township Fire and Emergency Response 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 Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gilbert/Franklin Township Fire and Emergency Response 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 deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 Gilbert/Franklin Township Fire and Emergency Response Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

Compliance and Other Matters

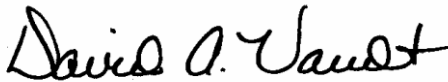
As part of obtaining reasonable assurance about whether the Gilbert/Franklin Township Fire and Emergency Response Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 which 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, 2012 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 Gilbert/Franklin Township Fire and Emergency Response Agency's written responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Gilbert/Franklin Township Fire and Emergency Response Agency's responses, we did not audit the Gilbert/Franklin Township Fire and Emergency Response Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Gilbert/Franklin Township Fire and Emergency Response Agency and other parties to whom the Gilbert/Franklin Township Fire and Emergency Response 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 Gilbert/Franklin Township Fire and Emergency Response 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

January 28, 2013

Schedule of Findings

Year ended June 30, 2012

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (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. The bank deposits, posting of the cash receipts to the cash receipts journal, check writing and mailing functions, bank reconciliations and recording of investments are all done by the same person. Also monthly reconciliations of the Clerk's balances to the bank accounts and investments are prepared, but there is no evidence of independent review.

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

Response – The current Treasurer (term began July 1, 2012) has been obtaining copies of the bank statements, noting her review of them on the copies and retaining the copies. Since the exit interview, she has transferred those notes to the originals of the bank statements and is now reviewing and entering the notations on the originals. The Agency will continue to review its control procedures to obtain maximum internal control where possible.

Conclusion – Response accepted.

- (B) Approval of Expenses - The Board reviews a financial summary, but should also review and approve a detailed listing of expenses incurred.

Recommendation – The Board should ratify a listing of expenses incurred since the prior meeting.

Response – We will request that our Clerk provide a listing of expenses at each meeting for the Board to ratify.

Conclusion – Response accepted.

- (C) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (a) Aid in training additional or replacement staff.
- (b) Help achieve uniformity in accounting and in the application of policies and procedures.
- (c) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2012

Response – We are in the process of finalizing an accounting policies and procedures manual. We appreciate the review conducted by the Auditor of our draft policies and procedures. The information received will assist us in completion of our document.

Conclusion – Response accepted.

- (D) Disaster Recovery Plan - The Agency does not has a written disaster recovery plan, which should include identification of staff responsibilities, computer equipment needed for temporary processing, alternate business locations and training for emergency situations.

Recommendation – A written disaster recovery plan should be developed.

Response – We will work with our Fire Chief and Clerk to develop a written disaster recovery plan.

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 – Except the Agency has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

Recommendation – The Agency should adopt a written investment policy to comply with the provisions of Chapter 12B of the Code of Iowa.

Response – We are in the process of finalizing an investment policy.

Conclusion – Response accepted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2012

- (5) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Agency should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We have requested this of our bank, but it is not a service they offer, even for a charge.

Conclusion – Response acknowledged. The Agency should continue to work with its financial institution to comply with this requirement.

Gilbert/Franklin Township Fire and Emergency Response Agency

Staff

This audit was performed by:

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

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

Andrew E. Nielsen, CPA
Deputy Auditor of State