



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 28, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Gilbert/Franklin Township Fire and Emergency Response Agency for the year ended June 30, 2017.

The Agency had total receipts of \$166,827 for the year ended June 30, 2017. Receipts included \$145,694 of township and city operating contributions, \$8,355 of rental income and \$11,688 of refund and reimbursement receipts. Disbursements for the year totaled \$135,300, and included \$70,800 for debt service and \$17,381 for equipment.

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 <https://auditor.iowa.gov/reports/1714-2356-B00F>.

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

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

JUNE 30, 2017

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Gilbert/Franklin Township Fire and Emergency Response Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Art Fleener	Chair	Franklin Township
Frank Rydl	Vice-Chair	City of Gilbert
Cindy Wirth	Treasurer	Franklin Township
Joe Loonan, Sr.	Member	City of Gilbert
Tom Hackett	Member	Franklin Township
Nancy Long	Clerk	

Gilbert/Franklin Township Fire and Emergency Response Agency



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Independent Auditor's Report

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

Report on the Financial Statement

We have audited the accompanying financial statement and the discretely presented component unit of the Gilbert/Franklin Township Fire and Emergency Response Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

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 and its discretely presented component unit as of June 30, 2017 and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.


Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 to 9, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2018 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 in considering the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 21, 2018

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 year ended June 30, 2017. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2017 FINANCIAL HIGHLIGHTS

- The Agency had total receipts and disbursements of \$166,827 and \$135,300, respectively, during fiscal year 2017.

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 Balance 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 Balance

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 or decrease in the Agency's cash balance.

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, donations and rental income. Non-operating disbursements are primarily for capital outlay and debt service. A summary of cash receipts, disbursements and changes in cash balances for the year ended June 30, 2017 and 2016 are presented below:

	Years ended June 30,	
	2017	2016
Operating receipts:		
Township contributions	\$ 102,944	97,449
City contributions	42,750	40,000
Miscellaneous	-	5,824
Total operating receipts	<u>145,694</u>	<u>143,273</u>
Operating disbursements:		
Administration	14,377	15,659
Communication	3,561	4,235
Maintenance and repair	4,844	8,500
Support and recognition	2,604	3,340
Station supplies	1,441	1,098
Training	3,171	4,810
Utilities	7,889	7,597
Vehicle operation	9,232	3,934
Total operating disbursements	<u>47,119</u>	<u>49,173</u>
Excess of operating receipts over operating disbursements	<u>98,575</u>	<u>94,100</u>
Non-operating receipts (disbursements):		
Interest on investments	90	34
Donations	1,000	10,650
Rental income	8,355	1,885
Refunds and reimbursements	11,688	1,758
Debt service	(70,800)	(68,041)
Equipment	(17,381)	(16,706)
Capital outlay for multi-use facility construction	-	(101,913)
Net non-operating receipts (disbursements)	<u>(67,048)</u>	<u>(172,333)</u>
Change in cash balance	31,527	(78,233)
Cash balance beginning of year	83,359	161,592
Cash balance end of year	<u>\$ 114,886</u>	<u>83,359</u>
Cash Basis Fund Balance		
Restricted for debt service	\$ 12,860	6,090
Unrestricted	102,026	77,269
Total cash basis fund balance	<u>\$ 114,886</u>	<u>83,359</u>

In fiscal year 2017, operating receipts increased \$2,421, or 1.7%, over fiscal year 2016 primarily due to an increase in Township contributions. In fiscal year 2017, operating disbursements decreased \$2,054, or 4.2%, from the prior year, primarily due to lower administration, and support and recognition costs. In fiscal year 2017, non-operating receipts totaled \$21,133 and consisted primarily of refunds and reimbursements. In fiscal year 2017 non-operating disbursements totaled \$88,181 and consisted primarily of equipment purchases and debt payments.

DEBT ADMINISTRATION

At June 30, 2017, the Agency had \$755,216 of revenue bond and promissory note debt outstanding compared to \$809,421 at June 30, 2016, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
Revenue bond	\$ 464,216	482,421
Promissory note	291,000	327,000
Total	\$ 755,216	809,421

During the year ended June 30, 2017, the Agency repaid principal of \$18,205 on the revenue bond and principal of \$36,000 on the promissory note. Additional information about outstanding debt is presented in Note 4 to the financial statement.

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, PO Box 484, Gilbert, Iowa 50105.

Gilbert/Franklin Township Fire and Emergency Response Agency

Financial Statement

Gilbert/Franklin Township Fire and Emergency Response Agency

Gilbert/Franklin Township Fire and Emergency Response Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2017

Operating receipts:	
Township contributions	\$ 102,944
City contributions	<u>42,750</u>
Total operating receipts	<u>145,694</u>
Operating disbursements:	
Administration	14,377
Communication	3,561
Maintenance and repair	4,844
Support and recognition	2,604
Station supplies	1,441
Training	3,171
Utilities	7,889
Vehicle operation	<u>9,232</u>
Total operating disbursements	<u>47,119</u>
Excess of operating receipts over operating disbursements	<u>98,575</u>
Non-operating receipts (disbursements):	
Interest on investments	90
Donations	1,000
Rent	8,355
Refunds	11,688
Debt service	(70,800)
Equipment	<u>(17,381)</u>
Total non-operating receipts (disbursements)	<u>(67,048)</u>
Change in cash balance	31,527
Cash balance beginning of year	<u>83,359</u>
Cash balance end of year	<u>\$ 114,886</u>
Cash Basis Fund Balance	
Restricted for debt service	\$ 12,860
Unrestricted	<u>102,026</u>
Total cash basis fund balance	<u>\$ 114,886</u>

See notes to financial statements.

Gilbert/Franklin Township Fire and Emergency Response Agency

Gilbert/Franklin Township Fire and Emergency Response Agency

Notes to Financial Statement

June 30, 2017

(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 component unit discussed below is included in the Agency's reporting entity because of the significance of its operational or financial relationship with the Agency.

Discretely Presented Component Unit

The Gilbert Firefighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and scientific purposes which benefit or support the Gilbert/Franklin Township Fire and Emergency Response Agency. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Association are substantially for the direct benefit of the Agency. Condensed financial information of the Foundation is presented in Note 5.

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, 2017 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. 72.

(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) Bond and Note Payable

Annual debt service requirements to maturity for taxable limited obligation revenue bond and taxable promissory note are as follows:

Year Ending June 30,	USDA Taxable Limited Obligation Bond, Series 2015		Midland Power Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 18,852	15,948	36,000	-	54,852
2019	19,522	15,278	36,000	-	55,522	15,278
2020	20,217	14,583	36,000	-	56,217	14,583
2021	20,936	13,864	36,000	-	56,936	13,864
2022	21,681	13,119	36,000	-	57,681	13,119
2023-2027	120,533	53,468	111,000	-	231,533	53,468
2028-2032	143,547	30,453	-	-	143,547	30,453
2033-2036	98,928	5,430	-	-	98,928	5,430
Total	\$ 464,216	162,143	291,000	-	755,216	162,143

Taxable Limited Obligation Revenue Bond

On June 25, 2015, the Agency entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of a \$500,000 taxable limited obligation revenue bond with interest at 3.50% per annum. The bond was issued in parity with the Midland Power Promissory Note. The bond was issued to partially redeem the interim promissory note previously issued to pay the costs of construction of a multi-use facility. The bond is payable solely from the net receipts of the Agency. Principal and interest are payable in 240 equal monthly installments of \$2,900. During the year ended June 30, 2017 the Agency paid principal of \$18,205 and interest of \$16,595 on the bond.

The resolution providing for the issuance of the limited obligation revenue bond includes the following provisions:

- (a) The bond will only be redeemed from the future net receipts of the enterprise activity and the bond holders hold a lien on the future net receipts of the fund.
- (b) Sufficient monthly transfers shall be made to a separate revenue sinking account for the purpose of making principal and interest payments when due.
- (c) Monthly transfers of \$290 shall be made until the required reserve account balance of \$34,800 has been accumulated. This account is restricted for paying the principal and interest on the notes if the sinking account balance is insufficient.

Midland Power Promissory Note

On June 22, 2015, the Agency entered into an agreement with Midland Power for the issuance of an interest free \$360,000 promissory note. The note was issued in parity with the U.S. Department of Agriculture – Rural Development taxable limited obligation revenue bond. The note was issued to partially redeem the interim promissory note which partially funded the construction costs of a multi-use facility. Principal is payable in 120 equal monthly installments of \$3,000 beginning on August 15, 2015. During the year ended June 30, 2017 the Agency made payments totaling \$36,000.

(5) Gilbert Franklin Fire Association

The Gilbert Franklin Fire Association is incorporated under the Iowa Nonprofit Corporation act and directly benefits the Gilbert Franklin Fire Department. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. The following is the condensed financial information for the Association for the year ended June 30, 2017.

Receipts:		
Donations	\$	1,894
Grants		7,498
Fundraising		23,358
Interest		8
Miscellaneous		<u>1,680</u>
Total operating receipts		<u>34,438</u>
Disbursements:		
Donations		750
Fundraising		13,106
Support of fire department		29,847
Miscellaneous		<u>2,895</u>
Total operating disbursements		<u>46,598</u>
Excess of disbursements over receipts		(12,160)
Balance beginning of year		<u>37,173</u>
Balance end of year	\$	<u>25,013</u>

Gilbert/Franklin Township Fire and Emergency Response Agency



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STATE OF IOWA

Mary Mosiman, CPA

Auditor of State

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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 Gilbert/Franklin Township
Fire and Emergency Response Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Gilbert/Franklin Township Fire and Emergency Response Agency and its discretely presented component unit as of and for the year ended June 30, 2017, and the related Notes to Financial Statement, which collectively comprise the Agency's financial statement, and have issued our report thereon dated March 21, 2018. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 deficiencies described in the accompanying Schedule of Findings as items (D) through (F) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gilbert/Franklin Township Fire and Emergency Response Agency's financial statements are 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. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2017 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 Responses to the Findings

The Gilbert/Franklin Township Fire and Emergency Response Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Gilbert/Franklin Township Fire and Emergency Response Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


MARY MOSIMAN, CPA
Auditor of State

March 21, 2018

Schedule of Findings

Years ended June 30, 2017

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the Agency’s financial statement.

Condition – One individual prepares the bank deposits, records the cash receipts to the cash receipts journal and writes checks.

Cause – The Agency has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Response – Currently the Agency has the Clerk and Treasurer review all deposits, distributions and reconcile the financial books. We plan to continue this practice.

Conclusion – Response acknowledged. The Agency should continue to review its control procedures to obtain the maximum internal control possible.

(B) Approval of Expenses

Criteria – An effective internal control system provides for internal controls related to the review and approval of Agency expenses by the Board.

Condition – The Board reviews a financial summary. However, there is no evidence of approval of a detailed list of expenses.

Cause – Policies have not been established and procedures have not been implemented to ensure a detailed list of expenses have documented approval by the Board.

Recommendation – The Board should ratify and then sign and date a listing of expenses incurred since the prior meeting to document the approval of the expenses.

Response – The Board will be provided with a detail of each expense and deposit as part of the Treasurer’s report. The Board will review these reports as part of their regular meetings.

Conclusion – Response acknowledged. A Board member should sign and date the detail list of expenses.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Years ended June 30, 2017

(C) Gilbert Firefighters Association

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error of dishonesty and maximizes the accuracy of the Association's financial statement.

Condition – One individual prepares the bank deposits, records the cash receipts to the cash receipts journal, writes checks and prepares bank reconciliations.

Also, Association minutes do not include a detailed listing of expenses for approval.

Cause – The Association has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions.

Recommendation – We realize segregation of duties is difficult with a limited number of volunteers. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available volunteers, including Association. Also, a detailed list of expenses should be provided to the Association Board for approval. A member of the board should sign and date the listing to authenticate the record.

Response – Since our members are also Firefighters, who have a firefighter meeting following our bi-monthly meetings, we try to keep our meeting short. One individual does go over each of our bank statements. I can share my spreadsheets with him every two months as well.

The Treasurer's report does list significant amounts of money either deposited or check written. I can also share my spreadsheets with our other officers after or before our meetings. Again, there really isn't time to go through all debits and credits during our meetings.

Conclusion – Responses acknowledged. The Association should continue to review its control procedures to obtain the maximum internal control possible. Also, a detailed list of expenses should be provided to the Association Board for approval and the list should be signed and dated to authenticate the record.

(D) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

- Aid in training additional or replacement volunteers.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- 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

Years ended June 30, 2017

Condition – The Agency does not have an accounting policies and procedures manual.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed.

Response – Since this recommendation is not required by Iowa Code, the Board will review this recommendation at the next Agency Board meeting and make a determination if any action will be taken.

Conclusion – Response acknowledged. An accounting policies and procedures manual should be developed.

(E) Disaster Recovery Plan

Criteria – Properly designed and implemented policies and procedures pertaining to disaster recovery help ensure the Agency will be able to provide continuity of service.

Condition – The Agency does not have a written disaster recovery plan.

Cause – Officials have not prioritized the development of a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

Response – Since this recommendation is not required by Iowa Code, the Board will review this recommendation at the next Agency Board meeting and make a determination if any action will be taken.

Conclusion – Response acknowledged. A written disaster recovery plan should be developed and tested periodically.

(F) Credit Cards

Criteria – Internal controls over safeguarding assets constitutes a process, effected by the entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention of timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The Agency has credit cards for use by members for Agency business. The Agency has not adopted a formal policy to regulate the use of credit cards and has not established procedures for the proper accounting of credit card purchases.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by Agency Officials.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Years ended June 30, 2017

Recommendation – The Agency should adopt a formal written policy regulating the use of the Agency’s credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – By July, 1 2018 the Board will adopt and put into place a policy regarding credit card use.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Years ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – In January 2017, the Agency donated \$50 towards Gilbert after prom. This disbursement may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including the requirements for proper public purpose documentation.

Response – The Agency will make sure that going forward all disbursements will be for a proper public purpose as required by Iowa Code.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No instances of non-compliance with the agency minutes were noted
- (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 – By July 1, 2018 the Board will adopt and put into place a policy regarding investments.

Conclusion – Response accepted.


- (5) Revenue Bonds – No instances of non-compliance with the taxable obligation revenue bond were noted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Staff

This audit was performed by:

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