



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 13, 2016

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 years ended June 30, 2015 and 2014.

The Agency had total receipts of \$2,432,249 for the year ended June 30, 2015. Receipts included \$1,927,083 of debt proceeds, \$139,306 of township and city operating contributions, \$139,631 of donations, \$122,171 of city contributions for multi-use facility construction, \$100,000 from the sale of real property, \$1,622 of interest on investments and \$2,436 of miscellaneous receipts. Disbursements for the year totaled \$2,631,609, and included \$1,485,537 for capital outlay for a multi-use facility, \$1,092,191 for debt service and \$19,398 for administration.

The Agency had total receipts of \$324,067 for the year ended June 30, 2014. The receipts included \$200,000 of donations, \$99,999 of township and city operating contributions, \$21,618 of refunds, \$201 of interest on investments, \$2,200 from the sale of real property and \$49 of miscellaneous receipts. Disbursements for the year totaled \$111,068, and included \$71,015 for capital outlay for a multi-use facility, \$10,565 for administration and \$7,952 for vehicle expenses.

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/1514-2356-B00F>.

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

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015 and 2014

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Gilbert/Franklin Township Fire and Emergency Response Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Joe Loonan, Sr.	Chair	City of Gilbert
Tom Hackett	Vice-Chair	Franklin Township
Cindy Wirth	Treasurer	Franklin Township
Art Fleener	Member	Franklin Township
Frank Rydl	Member	City of Gilbert
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 of the Gilbert/Franklin Township Fire and Emergency Response Agency as of and for the years ended June 30, 2015 and 2014, 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 as of June 30, 2015 and 2014, and the changes in its cash basis financial position for the years 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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the Gilbert/Franklin Township Fire and Emergency Response Agency's financial statement. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statement.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement taken as a whole.

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 May 24, 2016 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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 24, 2016

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 years ended June 30, 2015 and 2014. Comparative information for the year ended June 30, 2013 is not readily available. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2015 FINANCIAL HIGHLIGHTS

- The Agency had total receipts and disbursements of \$2,432,249 and \$2,631,609, respectively, during fiscal year 2015.

2014 FINANCIAL HIGHLIGHTS

- The Agency had total receipts and disbursements of \$324,067 and \$111,068, respectively, during fiscal year 2014.

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.
- The Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

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 bond and note proceeds. Non-operating disbursements are primarily for capital outlay and debt service. A summary of cash receipts, disbursements and changes in cash balances for the years ended June 30, 2015 and 2014 are presented below:

	Year Ended June 30,	
	2015	2014
Operating receipts:		
Township contributions	\$ 99,306	73,999
City contributions	40,000	26,000
Miscellaneous	991	49
Total operating receipts	140,297	100,048
Operating disbursements:		
Administration	19,398	10,565
Communication	3,822	1,595
Equipment	2,526	2,529
Support and recognition	8,512	6,176
Station supplies	576	1,833
Training	2,512	1,728
Utilities	4,980	4,105
Vehicles	6,287	7,952
Total operating disbursements	48,613	36,483
Excess of operating receipts over operating disbursements	91,684	63,565
Non-operating receipts (disbursements):		
Interest on investments	1,622	201
Donations	139,631	200,000
Sale of real property	100,000	2,200
City contributions for construction costs	122,171	-
Rental income	990	-
Refunds and reimbursements	455	21,618
Interim promissory note proceeds	1,067,083	-
Revenue bond proceeds	500,000	-
Promissory note proceeds	360,000	-
Debt service	(1,092,191)	-
Equipment	(5,268)	(3,570)
Capital outlay for multi-use facility construction	(1,485,537)	(71,015)
Net non-operating receipts (disbursements)	(291,044)	149,434
Change in cash balance	(199,360)	212,999
Cash balance beginning of year	360,952	147,953
Cash balance end of year	\$ 161,592	360,952

In fiscal year 2015, operating receipts increased \$40,249, or 40.2%, over fiscal year 2014 primarily due to higher Township and City contributions. In fiscal year 2015, operating disbursements increased \$12,130, or 33.2%, over the prior year, primarily due to additional administration costs to construct a multi-use facility. In fiscal year 2015, non-operating receipts totaled \$2,291,952 and consisted primarily of debt proceeds to construct the multi-use facility and to refund an interim promissory note. Multi-use facility construction costs were \$1,485,537 in fiscal year 2015.

In fiscal year 2014, operating receipts were \$100,048 and consisted primarily of township and city contributions. In fiscal year 2014, operating disbursements were \$36,483. Non-operating receipts were \$224,019 and consisted primarily of a \$200,000 donation for construction of the multi-use facility.

DEBT ADMINISTRATION

At June 30, 2015, the Agency had \$860,000 of revenue bond and promissory note debt outstanding. No debt was outstanding at June 30, 2014, as shown below:

	Outstanding Debt at Year-End	
	June 30, 2015	2014
Revenue bond	\$ 500,000	-
Promissory note	360,000	-
Total	\$ 860,000	-

During the year ended June 30, 2015, the Agency received debt proceeds of \$1,927,083, including \$1,067,083 from an interim promissory note, \$500,000 from revenue bonds and \$360,000 from a promissory note. During fiscal year 2015, the Agency repaid the \$1,067,083 interim 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 Joe Loonan Sr., Board Chair of Gilbert/Franklin Township Fire and Emergency Response Agency, P O Box 484, Gilbert, Iowa 50105.

Gilbert/Franklin Township Fire and Emergency Response Agency

Financial Statement

Exhibit A

Gilbert/Franklin Township Fire and Emergency Response Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the years ended June 30, 2015 and 2014

	2015	2014
Operating receipts:		
Township contributions	\$ 99,306	73,999
City contributions	40,000	26,000
Miscellaneous	991	49
Total operating receipts	140,297	100,048
Operating disbursements:		
Administration	19,398	10,565
Communication	3,822	1,595
Maintenance and repair	2,526	2,529
Support and recognition	8,512	6,176
Station supplies	576	1,833
Training	2,512	1,728
Utilities	4,980	4,105
Vehicles	6,287	7,952
Total operating disbursements	48,613	36,483
Excess of operating receipts over operating disbursements	91,684	63,565
Non-operating receipts (disbursements):		
Interest on investments	1,622	201
Donations	139,631	200,000
Sale of real property	100,000	2,200
City contributions for multi-use facility construction	122,171	-
Rent	990	-
Refunds	455	21,618
Interim promissory note proceeds	1,067,083	-
Revenue bond proceeds	500,000	-
Promissory note proceeds	360,000	-
Debt service	(1,092,191)	-
Equipment	(5,268)	(3,570)
Capital outlay - multi-use facility construction	(1,485,537)	(71,015)
Total non-operating receipts (disbursements)	(291,044)	149,434
Change in cash balance	(199,360)	212,999
Cash balance beginning of year	360,952	147,953
Cash balance end of year	\$ 161,592	360,952
Cash Basis Fund Balance		
Unrestricted	\$ 161,592	360,952

See notes to financial statement.

Gilbert/Franklin Township Fire and Emergency Response Agency

Notes to Financial Statement

June 30, 2015 and 2014

(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, 2015 and 2014 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.

(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		Midland Power		Total	
	Limited Obligation Bond, Series 2015		Promissory Note			
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 17,579	17,221	33,000	-	50,579	17,221
2017	18,205	16,595	36,000	-	54,205	16,595
2018	18,852	15,948	36,000	-	54,852	15,948
2019	19,522	15,278	36,000	-	55,522	15,278
2020	20,217	14,583	36,000	-	56,217	14,583
2021-2025	112,395	61,605	180,000	-	292,395	61,605
2026-2030	133,856	40,144	3,000	-	136,856	40,144
2031-2035	159,374	14,585	-	-	159,374	14,585
Total	\$500,000	195,959	360,000	-	860,000	195,959

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, beginning on July 25, 2015.

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) A reserve account of \$34,800 shall be established and maintained. Monthly transfers of \$290 shall be made until the required balance 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.

Interim Promissory Note

On May 16, 2014, the Agency entered into an agreement with First National Bank, Ames, Iowa for the issuance of a promissory note up to \$1,500,000 with an initial interest rate of 3.70% per annum. The interest rate was subject to the prime rate plus 0.450% and could change daily. The note was issued to pay the construction costs of a multi-use facility. During fiscal year 2015, \$1,067,083 was drawn on the interim promissory note and \$1,067,083 was repaid. Interest of \$25,108 was paid during fiscal year 2015.

Gilbert/Franklin Township Fire and Emergency Response Agency

Supplementary Information

Schedule 1

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA Number	Program Expenditures
Direct:		
U.S. Department of Agriculture:		
Community Facilities Loans and Grants	10.766	<u>\$ 500,000</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Gilbert/Franklin Township Fire and Emergency Response Agency and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.



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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 as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statement, which collectively comprise the Agency's financial statement, and have issued our report thereon dated May 24, 2016. 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 and Questioned Costs, 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 and Questioned Costs as items II-A-15 through II-C-15 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 and Questioned Costs as items II-D-15 through II-G-15 to be a 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the years ended June 30, 2015 and 2014 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

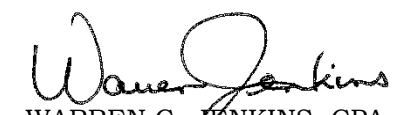
The Gilbert/Franklin Township Fire and Emergency Response Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Gilbert/Franklin Township Fire and Emergency Response Agency's responses were not subjected to the auditing 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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 24, 2016



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Gilbert/Franklin Township Fire and Emergency Response Agency's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Gilbert/Franklin Township Fire and Emergency Response Agency's major federal program for the year ended June 30, 2015. The Gilbert/Franklin Township Fire and Emergency Response Agency's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Gilbert/Franklin Township Fire and Emergency Response Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Gilbert/Franklin Township Fire and Emergency Response Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Gilbert/Franklin Township Fire and Emergency Response Agency's compliance.

Opinion on the Major Federal Program

In our opinion, the Gilbert/Franklin Township Fire and Emergency Response Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance


The management of the Gilbert/Franklin Township Fire and Emergency Response Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 24, 2016

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings and Questioned Costs

Years ended June 30, 2015 and 2014

Part I: Summary of the Independent Auditor's Results:

- (a) An unmodified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statement.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.766 – Community Facilities Loans and Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Gilbert/Franklin Township Fire and Emergency Response Agency did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Years ended June 30, 2015 and 2014

Part II: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 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 prepares the bank deposits, posts the cash receipts to the cash receipts journal, writes checks, prepares bank reconciliations and records investments.

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 Agency officials.

Response – The Treasurer will review bank statements and reconciliations, initial and enter notations, if applicable.

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

II-B-15 Financial Reporting – During the audit, we identified material amounts of receipts and disbursements from the construction bank account not recorded in the Agency’s financial statements. In addition, proceeds from two debt issuances were not recorded in the Agency’s financial statements. Also, investments and interest on investments were not recorded accurately in the Agency’s financial statements.

Recommendation – The Agency should implement procedures to ensure all receipts and disbursements are properly reported in the financial statements. The Agency should ensure debt activity is properly tracked and reported in the financial statements. In addition, the Agency should ensure investments and interest on investments is accurate.

Response – We are in the process of implementing additional procedures to correct.

Conclusion – Response accepted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings and Questioned Costs

Years ended June 30, 2015 and 2014

II-C-15 Bank Reconciliations – Monthly bank statements for the Agency’s operating account are reconciled to the monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person. Monthly reconciliations were not performed for the Agency’s construction bank account.

Recommendation – To improve financial accountability and control, the book and bank balances for all bank accounts should be reconciled monthly. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. Any variances should be investigated and resolved in a timely manner.

Response – The Treasurer will review the bank reconciliations, initial and enter notations, if applicable.

Conclusion – Response accepted.

II-D-15 Approval of Expenses - The Board reviews a financial summary. However, there is no evidence of approval of a detailed list of expenses.

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 – Procedures and process will be reviewed.

Conclusion – Response accepted.

II-E-15 Accounting Policies and Procedures Manual – The Agency 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.

Response – A policy and procedures manual is in process.

Conclusion – Response accepted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings and Questioned Costs

Years ended June 30, 2015 and 2014

II-F-15 Disaster Recovery Plan - The Agency does not have a written disaster recovery plan.

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

Response - We will develop a written disaster recovery plan with the assistance of the Fire Chief.

Conclusion - Response accepted.

II-G-15 Credit Cards - 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.

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 - A policy is in progress.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings and Questioned Costs

Years ended June 30, 2015 and 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Schedule of Findings and Questioned Costs

Years ended June 30, 2015 and 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 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.

IV-B-15 Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-C-15 Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.

The Agency did not publish the minutes of each meeting as required by Chapter 28E.6 of the Code of Iowa. Also, the minutes were not signed.

Recommendation – The Agency should publish meeting minutes as required by Chapter 28E.6 of the Code of Iowa. Also, the minutes should be signed to authenticate the record.

Response – The Clerk will publish meeting minutes as required. Minutes will be signed when approved.

Conclusion – Response accepted.

IV-D-15 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 – An investment policy will be developed.

Conclusion – Response accepted.

IV-E-15 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and promissory note resolutions were noted.

IV-F-15 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 are working with the financial institution to obtain the backs of checks in electronic form.

Conclusion – Response acknowledged. An image of both the front and back of each cancelled check should be obtained and retained.

Gilbert/Franklin Township Fire and Emergency Response Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Ryan P. Swanson, CPA, Staff Auditor
Colton L. Barton, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State