



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 2, 2019

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the Gilbert/Franklin Township Fire and Emergency Response Agency for the year ended June 30, 2018.

The Agency had total receipts of \$197,697 for the year ended June 30, 2018, an 18.7% increase over the prior year. Receipts included \$153,576 of township and city operating contributions, \$35,000 in bank loan proceeds and \$8,540 of rental income. Disbursements for the year ended June 30, 2018 totaled \$236,504, a 74.8% increase over the prior year and included \$70,800 for debt service and \$90,221 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 on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

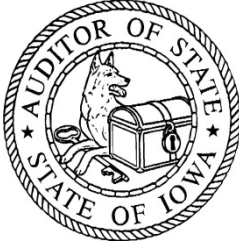
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**GILBERT/FRANKLIN TOWNSHIP FIRE AND  
EMERGENCY RESPONSE AGENCY**

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

**JUNE 30, 2018**

**Gilbert/Franklin Township Fire and Emergency Response Agency**



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June 25, 2019

Officials of the Gilbert/Franklin Township Fire and Emergency Response Agency  
Gilbert, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the City of Gilbert/Franklin Township Fire and Emergency Response Agency for the year ended June 30, 2018. The audit was performed in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Gilbert/Franklin Township Fire and Emergency Response Agency throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

## Table of Contents

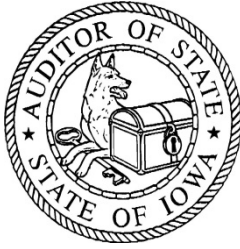
	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-9
Basic Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A      13
Notes to Financial Statement	15-18
Independent Auditor's Report on Internal Control 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>	19-20
Schedule of Findings	21-26
Staff	27

**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, 2018, 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, 2018 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.

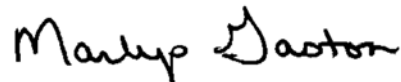
### Other Matters

#### *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 June 25, 2019 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.



MARLYS K. GASTON, CPA  
Deputy Auditor of State

June 25, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

### 2018 FINANCIAL HIGHLIGHTS

- The Agency had total receipts and disbursements of \$197,967 and \$236,504, respectively, during fiscal year 2018.

### 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, 2018 and 2017 are presented below:

	Years ended June 30,	
	2018	2017
Operating receipts:		
Township contributions	\$ 108,076	102,944
City contributions	45,500	42,750
Total operating receipts	153,576	145,694
Operating disbursements:		
Administration	38,480	14,377
Communication	3,988	3,561
Maintenance and repair	5,244	4,844
Support and recognition	3,704	2,604
Station supplies	3,005	1,441
Training	2,190	3,171
Utilities	9,392	7,889
Vehicle operation	4,122	9,232
Miscellaneous	493	-
Total operating disbursements	70,618	47,119
Excess of operating receipts over operating disbursements	82,958	98,575
Non-operating receipts (disbursements):		
Interest on investments	296	90
Donations	100	1,000
Rental income	8,540	8,355
Refunds and reimbursements	455	11,688
Bank loan proceeds	35,000	-
Debt service	(70,800)	(70,800)
Capital outlay	(95,056)	(17,381)
Net non-operating receipts (disbursements)	(121,465)	(67,048)
Change in cash balance	(38,507)	31,527
Cash balance beginning of year	114,886	83,359
Cash balance end of year	\$ 76,379	114,886
<b>Cash Basis Fund Balance</b>		
Restricted for debt service	\$ 16,340	12,860
Unrestricted	60,039	102,026
Total cash basis fund balance	\$ 76,379	114,886

In fiscal year 2018, operating receipts increased \$7,882, or 5.4%, over fiscal year 2017 due to an increase in Township and City contributions. In fiscal year 2018, operating disbursements increased \$23,499 or 49.9%, over the prior year, primarily due to increased administration and support and recognition costs. The increase in administration was caused by two years of insurance premiums being paid during fiscal year 2018. In fiscal year 2018, non-operating receipts totaled \$44,391 and consisted primarily of proceeds from a bank loan for the purchase of equipment. In fiscal year 2018 non-operating disbursements totaled \$165,886 and consisted primarily of equipment purchases and debt payments.

## DEBT ADMINISTRATION

At June 30, 2018, the Agency had \$735,364 of revenue bond, promissory note and bank loan debt outstanding compared to \$755,216 at June 30, 2017, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2018	2017
Revenue bond	\$ 445,364	464,216
Promissory note	255,000	291,000
Bank loan	35,000	-
Total	\$ 735,364	755,216

During the year ended June 30, 2018, the Agency repaid principal of \$18,852 on the revenue bond and principal of \$36,000 on the promissory note. During the year, the Agency entered into a \$35,000 bank loan for the purpose of funding equipment purchases. 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, 2018

Operating receipts:	
Township contributions	\$ 108,076
City contributions	45,500
Total operating receipts	<u>153,576</u>
Operating disbursements:	
Administration	38,480
Communication	3,988
Maintenance and repair	5,244
Support and recognition	3,704
Station supplies	3,005
Training	2,190
Utilities	9,392
Vehicle operation	4,122
Miscellaneous	493
Total operating disbursements	<u>70,618</u>
Excess of operating receipts over operating disbursements	<u>82,958</u>
Non-operating receipts (disbursements):	
Interest on investments	296
Donations	100
Rent	8,540
Refunds	455
Bank loan proceeds	35,000
Debt service	(70,800)
Equipment	(90,221)
Capital outlay	(4,865)
Total non-operating receipts (disbursements)	<u>(121,495)</u>
Change in cash balance	(38,537)
Cash balance beginning of year	114,886
Cash balance end of year	<u>\$ 76,349</u>
<b>Cash Basis Fund Balance</b>	
Restricted for debt service	\$ 16,340
Unrestricted	<u>60,009</u>
Total cash basis fund balance	<u>\$ 76,349</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, 2018

**(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 parties to the 28E agreement are the City of Gilbert and Franklin Township. 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, 2018 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 the 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
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	22,452	12,348	36,000	-	58,452	12,348
2024-2028	124,820	49,181	75,000	-	199,820	49,181
2029-2033	148,652	25,348	-	-	148,652	25,348
2034-2035	67,084	2,474	-	-	67,084	2,474
Total	\$445,364	146,195	255,000	-	700,364	146,195

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, 2018 the Agency paid principal of \$18,852 and interest of \$15,948 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, 2018 the Agency made payments totaling \$36,000.

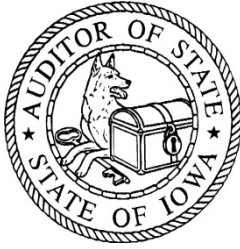
### Bank Loan

On May 22, 2018, the Agency entered into a loan agreement with a local bank for the issuance of a \$35,000 promissory note. The note was issued to purchase self-contained breathing apparatus. The note bears interest at 3.5% per annum and is due in one installment on September 26, 2018. Two CDs with a total value of \$50,654 were assigned as collateral on the loan

### **(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 Agency 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, 2018.

Receipts:	
Donations	\$ 6,785
Fundraising	26,253
Interest	9
Total operating receipts	<u>33,047</u>
Disbursements:	
Fundraising	11,849
Support of fire department	15,632
Total operating disbursements	<u>27,481</u>
Excess of disbursements over receipts	5,566
Balance beginning of year	<u>25,013</u>
Balance end of year	<u>\$ 30,579</u>



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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, 2018, and the related Notes to Financial Statement, which collectively comprise the Agency's financial statement, and have issued our report thereon dated June 25, 2019. 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) and (E) 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, 2018 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.

  
MARLYS K. GASTON, CPA  
Deputy Auditor of State

June 25, 2019

Schedule of Findings

Year ended June 30, 2018

**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, writes checks and mails signed 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 – The Agency has a Clerk and a Treasurer. Both individuals review all transactions. The Board of Directors review the monthly reports which include a detail itemization of all income and expenses for the month.

Conclusion – Response acknowledged. The Agency should continue to review its control procedures to obtain the maximum internal control possible, including utilizing current Board of Directors.

(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 review and approve a detailed list of expenses. These will also be included as part of the official minutes.

Conclusion – Response accepted.



Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2018

(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 dishonestly 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 and writes checks. While the Association records are compared to the bank statements, this bank reconciliation is not documented or independently reviewed.

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. A complete bank reconciliation should be prepared and independently reviewed. The independent review should include the initials of the reviewer and the date reviewed.

Response – Currently and for the past year since our last audit all bank statements, expenses and donations collected are discussed in detail at each Association meeting. The Association's President reviews and signs each Treasurer's report at the meeting. All receipts are kept and tracked. During fundraising events, money is counted by multiple people to ensure accuracy and accountability.

Conclusion – Response acknowledged. The Association should continue to review its control procedures to obtain the maximum internal control possible. Also, reviews of receipts and detailed list of expenses should be signed 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

Year ended June 30, 2018

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

Cause – Officials have not prioritized an accounting policies and procedures manual.

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

Response – This is not required by Iowa Code. The Board will take this recommendation under consideration.

Conclusion – Response acknowledged. An accounting policies and procedures manual should be developed to aid in training volunteers, help achieve uniformity in accounting and save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

(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 – This is not required by Iowa Code. The Board will take this recommendation under consideration.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2018

**Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Disbursements – Certain disbursements we believe 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. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Fareway	Reimbursement for steaks for appreciation dinner	\$ 527
Hy-Vee	Reimbursement for food items for appreciation dinner	67

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 – These expenditures are directly in support of the men and women that volunteer to serve as firefighters and emergency medical personnel without any compensation to our community. The State of Iowa Auditors office states that they are not able to determine if these expenditures meet the test of serving a public purpose, but yet it shows up in this report and there is no Iowa Code referenced. We have prior to this audit proactively reached out to the State of Iowa’s Auditors Office asking specific question related to this area without receiving clear guidance from the Auditors Office.

If the Auditors Office is not able to answer specific questions in this area of what is or is not an allowed expense, I would expect the same approach when it comes to this report and this item should not be shown as a potential misuse of public money.

We specifically requested guidance from the State of Iowa’s Auditors Office if we could put in our annual budget a line item for purchasing food and drink for our firefighters and EMS personnel. The example used was if they were on a fire call overnight, coming off duty early in the morning and we were to purchase food and drink for them. Or if there is an extended training session and food and drink were provided as part of the training. Unfortunately, the Auditors Office would not provide a clear answer if these were allowable expenses.

It is frustrating to ask the specific questions, not receiving specific answers and to have the Auditors Office target this area as part of the annual audit and then have it show it on the report as a potential misuse of public funds.

The Board’s goal is to make sure that we follow the Iowa Code with our expenditures and we have strived to be in compliance.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2018

Conclusion – Response acknowledged. As previously discussed, there are no definitive statutory (i.e., Iowa Code section) guidelines on these type of expenditures. In the absence of clear statutory authority, we look to Article III, section 31, of the Iowa Constitution and court cases/opinions of the Attorney General when considering questionable transactions. The key is “public purpose” and expenditures falling in a “gray” area (i.e. where public purpose is not clear at first blush), must be considered in light of this guidance. Food and/or appreciation dinners such as those discussed above fall into this gray area.

**Article III, Section 31 of the Constitution of Iowa** states “No public money or property shall be appropriated for local or private purposes unless such appropriation, compensation, or claim, be allowed by two-thirds of the members elected to each branch of the General Assembly.”

**Attorney General’s opinion dated April 25, 1979** discusses the concept of public purpose and states “public funds may only be spent for public benefit”. This opinion discusses the propriety of a retirement dinner to be paid for by a governmental entity and concludes that under certain circumstances, it is possible for disbursements of this type to meet the test of a public purpose, although such items will certainly be subject to a deserved close scrutiny. The opinion states the line to be drawn between proper and improper purpose is very thin.

In all cases the burden of proof falls upon the governing body to determine and document public purpose served by these types of expenditures before authorizing the payments. It is not enough to state the expenditure is for a “public purpose”. Based upon court cases and AG opinions, the governing body must also state how the public will benefit by the expenditure of public funds.

If the Board feels public purpose criteria is met, the Board should document this prior to approving the expenditure. Even though the April 25, 1979 AGO does not specifically refer to “policy” the opinion refers to proper motives and “it is the motive for the expenditure that may insulate an officer from criminal liability.” It has been our recommendation to document the “public purpose served” (motive) either through policy or on an individual transaction basis. This in and of itself, does not eliminate the “questionable” nature of the transaction, but it does establish the governing body’s motive and having established policy provides a basis for consistency.

The Board should determine and document the public purpose served by these disbursements 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.

- (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. The Agency does not sign the minutes. Also, the Agency entered into a closed session on June 21, 2018; however, the specific exemption under Chapter 21.5 of the Code of Iowa was not identified and documented, as required.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2018

Recommendation – An Agency representative should sign the minutes to authenticate the actions taken and the Agency should comply with Chapter 21 of the Code of Iowa.

Response – The Board Chair will sign a copy of the minutes when they are approved by the Board. The Agency when going into closed session will identify the exemption allowing the closed session.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- (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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