



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

January 8, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released a compilation report on the Virginia Township Fire and Emergency Services, a fund of Virginia Township, located in Warren County, Iowa, for the years ended June 30, 2019, June 30, 2018 and June 30, 2017.

FINANCIAL HIGHLIGHTS:

The Fire and Emergency Services Fund's receipts totaled \$43,773 for the year ended June 30, 2019, \$52,034 for the year ended June 30, 2018 and \$54,879 for the year ended June 30, 2017. Disbursements totaled \$34,080, \$50,135 and \$43,706 for the years ended June 30, 2019, June 30, 2018 and June 30, 2017, respectively.

FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. The findings are located on pages 22 through 25 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank reconciliations, inaccurate reporting on the Treasurer and annual financial reports and disbursements exceeding budgeted amounts. Sand provided the Township with recommendations to address the findings.

The Township Trustees has a fiduciary responsibility to provide oversight of the Township's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the compilation 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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VIRGINIA TOWNSHIP FIRE AND EMERGENCY SERVICES FUND

**AUDITOR OF STATE'S COMPILATION REPORT
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2019

Virginia Township Fire and Emergency Services Fund



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

December 18, 2019

Virginia Township Trustees and Clerk and
the Honorable Mayor and Members of the City Council of New Virginia:

Dear Trustees and City Council Members:

I am pleased to submit to you the compilation report for the Virginia Township Fire and Emergency Services Fund financial statement for the years ended June 30, 2017, June 30, 2018 and June 30, 2019. The compilation was requested by the City of New Virginia and was performed in accordance with statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants.

I appreciate the cooperation and courtesy extended by the officials and employees of the Virginia Township and the City of New Virginia throughout the compilation. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

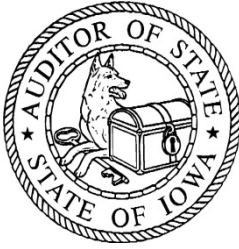
	<u>Page</u>
Officials	3
Auditor of State's Compilation Report	5
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Balance	A 8-10
Notes to Financial Statement	11-13
Other Information:	
Budgetary Comparison Schedules of Receipts, Disbursements and Changes in Balance – Budget and Actual (Cash Basis) and Notes to Other Information – Budgetary Reporting	16-19
Schedule of Findings	20-23
Staff	24

Virginia Township

Officials

<u>Name</u>	<u>Title</u>	<u>Began</u>	<u>Expires</u>
Cheryl Boles	Trustee	Jan 2017	Jan 2021
Joe Stuart	Trustee	Jan 2017	Jan 2021
Chad A. Daniels	Trustee	Jan 2019	Jan 2023
Jake Zuercher	Fire Chief		Indefinite
Marilyn Kirkpatrick	Clerk		Indefinite
Douglas Eichholz	Attorney		Nov 2022

Virginia Township Fire and Emergency Services Fund



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Auditor of State's Compilation Report

To the Virginia Township Trustees and Clerk:

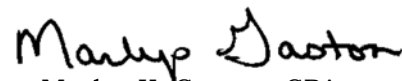
Management is responsible for the accompanying financial statement of the Virginia Township Fire and Emergency Services Fund, which comprises the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position as of and for the years ended June 30, 2017, June 30, 2018 and June 30, 2019 in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The financial statements are prepared in accordance with the cash basis of accounting which is a basis of accounting other than U.S. generally accepted accounting principles.

The other information, the Fund's Budgetary Comparison Information on pages 16 through 19, was subject to our compilation engagement. However, we have not audited or reviewed the information and, accordingly, we do not express an opinion or provide any assurance on it.

We are not independent with respect to the Virginia Township Fire and Emergency Services Fund.

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


Marlys K. Gaston, CPA
Deputy Auditor of State

December 18, 2019

Virginia Township Fire and Emergency Services Fund

Financial Statements

Exhibit A

Virginia Township Fire and Emergency Services Fund

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

As of and for the year ended June 30, 2019

	<u>Fire and Emergency Services Fund</u>
Receipts:	
Property tax	\$ 27,473
Interest on investments	20
Intergovernmental	12,249
Miscellaneous	4,031
Total receipts	<u>43,773</u>
Disbursements:	
Fire and rescue services	<u>34,080</u>
Change in cash balances	9,693
Cash balances beginning of period	<u>86,968</u>
Cash balances end of period	<u>\$ 96,661</u>
Cash Basis Fund Balances	
Restricted for fire and rescue purposes	<u>\$ 96,661</u>

See accompanying independent auditor's report.

Virginia Township Fire and Emergency Services Fund

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

As of and for the year ended June 30, 2018

	<u>Fire and Emergency Services Fund</u>
Receipts:	
Property tax	\$ 25,883
Interest on investments	3
Intergovernmental	17,861
Miscellaneous	<u>8,287</u>
Total receipts	52,034
Disbursements:	
Fire and rescue services	<u>50,135</u>
Change in cash balances	1,899
Cash balances beginning of period	<u>85,069</u>
Cash balances end of period	<u>\$ 86,968</u>
Cash Basis Fund Balances	
Restricted for fire and rescue purposes	<u>\$ 86,968</u>

See accompanying independent auditor's report.

Exhibit A

Virginia Township Fire and Emergency Services Fund

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

As of and for the year ended June 30, 2017

	<u>Fire and Emergency Services Fund</u>
Receipts:	
Property tax	\$ 25,150
Intergovernmental	17,884
Miscellaneous	11,845
Total receipts	<u>54,879</u>
Disbursements:	
Fire and rescue services	<u>43,706</u>
Change in cash balances	11,173
Cash balances beginning of period	<u>73,896</u>
Cash balances end of period	<u>\$ 85,069</u>
Cash Basis Fund Balances	
Restricted for fire and rescue purposes	<u>\$ 85,069</u>

See accompanying independent auditor's report.

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Fire and Emergency Services is a levy and fund of Virginia Township. The Township is governed by three Trustees elected on a non-partisan basis. The Township provides emergency fire and ambulance services with the levy.

The financial statement of the Virginia Township Fire and Emergency Services Fund is intended to present the financial position and results of the cash transactions of only that fund of the Virginia Township.

B. Basis of Presentation

The Fire and Emergency Services Fund is utilized to account for all resources, including property tax, used in providing fire protection and emergency medical services for the Township. The Trustees may purchase, own, rent or maintain fire protection and medical service equipment and provide housing for the equipment.

C. Measurement Focus and Basis of Accounting

Virginia Township maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Fire and Emergency Services Fund 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 financial position and results of operations of the Fire and Emergency Services Fund in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the years ended June 30, 2017 and June 30, 2018, disbursements of the Fire and Emergency Services Fund exceeded the amount budgeted.

(2) Cash and Pooled Investments

Virginia Township's deposits in banks at June 30, 2017, June 30, 2018 and June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Township 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 Township Trustees; 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 Township 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 City of New Virginia carries insurance for Virginia Township.

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the pool. The Virginia Township's share of the City's contributions to the Pool for years ended June 30, 2017, June 30, 2018 and June 30, 2019 were \$6,418, \$6,985 and \$6,886, respectively, and were paid by the City.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

Virginia Township Fire and Emergency Services Fund

Other Information

Virginia Township Fire and Emergency Services Fund

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balance –
Budget and Actual

Other Information

Year ended June 30, 2019

Fund/Levy	Original and Final Budget	Actual	Variance between Actual and Final Budget
Fire and emergency services	\$ 90,000	34,080	55,920

Virginia Township Fire and Emergency Services Fund

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balance –
Budget and Actual

Other Information

Year ended June 30, 2018

Fund/Levy	Original and Final Budget	Actual	Variance between Actual and Final Budget
Fire and emergency services	\$ 24,948	50,135	(25,187)

Virginia Township Fire and Emergency Services Fund

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balance –
Budget and Actual

Other Information

Year ended June 30, 2017

Fund/Levy	Original and Final Budget	Actual	Variance between Actual and Final Budget
Fire and emergency services	\$ 24,949	43,706	(18,757)

Virginia Township Fire and Emergency Services Fund

Notes to Other Information – Budgetary Reporting

For the years ended June 30, 2019, June 30, 2018 and June 30, 2017

In accordance with the Code of Iowa, the Board of Trustees of Virginia Township annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

Formal and legal budgetary control is based upon funds including the Fire and Emergency Services Fund. The budget is reflected in the original and final budgeted amount. The Township's budget was not amended during the year.

During the year ended June 30, 2019, disbursements did not exceed the amount budgeted for the Fire and Emergency Services Fund. During the years ended June 30, 2018 and June 30, 2017, disbursements exceeded the amounts budgeted for the Fire and Emergency Services Fund.

Virginia Township Fire and Emergency Services Fund

Schedule of Findings

Years ended June 30, 2017, June 30, 2018 and June 30, 2019

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 employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Virginia Township Fire and Emergency Services Fund financial statement.

Condition – Generally, the Township Clerk has control over each of the following areas for which no compensating controls exist:

- (1) Cash – handling and recording.
- (2) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.

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

Effect – Inadequate segregation of duties could adversely affect the Township’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Township should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – We will have monthly meetings where all bills are presented for payment and approval by the Trustees before they are paid. We will have a second set of eyes on all disbursements and receipts.

Conclusion – Response accepted.

(B) Fire and Rescue Treasurer’s Report

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting and monitoring of actual to budgeted disbursements. The Township Clerk prepares a monthly fire and rescue Treasurer’s report which is submitted to the Fire Chief.

Virginia Township Fire and Emergency Services Fund

Schedule of Findings

Years ended June 30, 2017, June 30, 2018 and June 30, 2019

Condition – We noted the following when reviewing the monthly Treasurer’s reports:

- One disbursement included in the Treasurer’s report did not agree with the bank statement.
- Disbursements made to a vender via ACH were not included in the Treasurer’s reports.
- Certain property tax receipts were recorded at an incorrect amount or were not included in the Treasurer’s reports.
- One receipt from Squaw Creek Township was not reported in the Treasurer’s reports.
- Certain Treasurer’s reports did not properly foot.

Cause – Policies and procedures have not been established to ensure the Treasurer’s reports are reviewed for accuracy.

Effect – The Treasurer’s reports may include inaccurate information and balances.

Recommendation – Policies and procedures should be put in place to ensure financial activity is accurately included in the monthly Treasurer’s reports.

Response – We will have an independent person review the bank statements against the Treasurer’s report.

Conclusion – Response accepted.

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – The Fire and Emergency Services Fund receipts and disbursements are included in a pooled bank account maintained by the Township Clerk. A complete bank reconciliation, including all bank and investment accounts, is not prepared.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books are complete, accurate and properly accounted for.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – To improve financial accountability and control, the Township should prepare monthly bank reconciliations which include all bank and investment accounts and variances between book and bank balances should be investigated and resolved in a timely manner. The reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review.

Virginia Township Fire and Emergency Services Fund

Schedule of Findings

Years ended June 30, 2017, June 30, 2018 and June 30, 2019

Response – A monthly excel spreadsheet will be maintained with complete book and bank balances and will be provided to the Trustees. We will also have an independent person review the Treasurer’s reports.

Conclusion – Response accepted.

(D) Annual Financial Report

Criteria – An effective internal control system provides for internal controls related to ensuring proper financial reporting.

Condition – The Township prepares and submits an annual financial report (AFR) of all Township funds. Amounts reported as the fund balance for the Fire and Rescue Fund do not agree with the amounts reported on the Township’s monthly Treasurer’s reports. For July 1, 2016, June 30, 2017 and June 30, 2018 variances between the fund balances reported on the AFR and on the Treasurer’s reports were \$73,770, \$82,827 and \$79,458, respectively.

Cause – Procedures have not been designed and implemented to ensure the Fire and Rescue Fund balance reported on the AFR agrees with the balance reported in the monthly Treasurer’s report.

Effect – The Fire and Rescue balance reported on the AFR does not agree with the balance reported on the Treasurer’s report.

Recommendation – To improve financial accountability and control, the Township should develop procedures and policies to ensure the annual financial report is accurate.

Response – Once the bank statements have been balanced on a monthly basis, we will use those balances to have a good beginning balance for the report. After we go through a year’s worth of disbursements and receipts, we will complete the report. Once completed, the ending balances will be reviewed to make sure they match the ending balance reports from the bank statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Virginia Township Fire and Emergency Services Fund

Schedule of Findings

Years ended June 30, 2017, June 30, 2018 and June 30, 2019

Findings Related to Statutory Matters:

- (1) Certified Budget – Disbursements for the years ended June 30, 2017 and June 30, 2018 exceeded the amounts budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 359.50 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – A budget report will be set up to ensure the Fire Department disbursements do not exceed the amount budgeted.

Conclusion – Response accepted.

- (2) Township and City Emergency Services Agreement – The Virginia Township and City of New Virginia have an agreement to jointly provide emergency services. Neither the Township nor the City were able to provide us with a written agreement between the two municipalities. Chapter 28E.32 of the Code of Iowa states that a “municipality that agrees to provide fire protection service or emergency medical service for another municipality shall do so in writing. The written agreement shall state the purposes of the agreement and the services provided. The agreement shall state the duration of the agreement and provide for renewal or cancellation of the agreement.”

Recommendation – The Township should consult legal counsel to create an agreement with the City to provide emergency services.

Response – The City will contact their attorney to have the appropriate agreement(s) drawn up per the Iowa code.

Conclusion – Response accepted.

Virginia Township Fire and Emergency Services Fund

Staff

This compilation was performed by:

Marlys K. Gaston, CPA, Deputy
Donna F. Kruger, CPA, Manager
Cole L. Hocker, CPA, Senior Auditor II