



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE March 28, 2006

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Westory Fire Agency for the year ended June 30, 2005.

The Agency had total receipts of \$213,945 during the year ended June 30, 2005, a 24% increase over 2004. The receipts included township and city contributions of \$116,598 and federal grants of \$67,424. The significant increase in receipts is due primarily to a grant and insurance proceeds of \$17,307 for hail damage to a fire station.

Disbursements for the year totaled \$226,479, a 49 percent increase over the prior year, and included \$178,211 for equipment and \$12,680 for maintenance and repair. The significant increase is due primarily to the purchase of fire and rescue equipment.

The report contains recommendations to the Agency to review operating procedures to obtain the maximum internal control possible and to establish procedures to reconcile pre-numbered receipts to deposits. The Agency has responded favorably to the recommendations.

A copy of the report is available for review at the Westory Fire Agency, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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WESTORY FIRE AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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Westory Fire Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gary Walter	Chairperson	City of Kelly
Bob Finch	Member	Washington Township
Lisa Heddens	Member	Franklin Township
Troy Buchman	Member	City of Gilbert
Jerry Deters	Member	At Large
Joan Ballard	Secretary/Treasurer	

Westory Fire Agency



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Independent Auditor's Report

To the Members of the Westory Fire Agency:

We have audited the accompanying financial statement of the Westory Fire Agency as of and for the year ended June 30, 2005. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Westory Fire Agency as of June 30, 2005, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2006 on our consideration of the Westory Fire Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 8 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Westory Fire Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Westory Fire Agency is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2005 FINANCIAL HIGHLIGHTS

- The Agency's operating receipts increased 17.7%, or \$21,549, from fiscal 2004 to fiscal 2005.
- The Agency's operating disbursements decreased \$8,699, or 15.3%, from fiscal 2004 to fiscal 2005.
- The Agency's non-operating disbursements increased \$83,237, or 87.6%, from fiscal 2004 to fiscal 2005.
- The Agency's net assets decreased 6.4%, or \$12,534, from June 30, 2004 to June 30, 2005.

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 Westory Fire Agency's financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

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

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the Agency's cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for services provided by the Westory Fire Agency. The Westory Fire Agency provides fire protection and medical emergencies services to the citizens of the member cities of Gilbert and Kelley and the member townships of Franklin and Washington. The Agency also provides services to Colfax Township. Operating disbursements are disbursements paid to operate the Westory Fire Agency. Non-operating receipts are for interest on investments, federal grants and receipts arising from the sale of assets. Non-operating disbursements are for purchases of equipment. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2005 and June 30, 2004 is presented below:

	2005	2004
Operating receipts:		
Township contributions	\$ 96,998	101,086
City contributions	19,600	18,547
Refunds and reimbursements	8,531	-
Insurance proceeds for property damage	17,307	-
Miscellaneous	1,011	2,265
Total operating receipts	<u>143,447</u>	<u>121,898</u>
Operating disbursements:		
Training	4,348	7,567
Maintenance and repair	12,680	21,055
Utilities	6,915	8,032
Insurance	12,535	11,418
Medical	1,100	80
Fuel	1,723	2,039
Supplies	3,006	499
Professional services	3,068	3,140
Uniforms	143	640
Miscellaneous	2,750	2,497
Total operating disbursements	<u>48,268</u>	<u>56,967</u>
Excess of operating receipts over operating disbursements	<u>95,179</u>	<u>64,931</u>
Non-operating receipts (disbursements):		
Interest on investments	1,574	3,056
Federal grants	67,424	47,556
Sale of assets	1,500	-
Equipment purchased	(178,211)	(94,974)
Total non-operating receipts (disbursements)	<u>(107,713)</u>	<u>(44,362)</u>
Change in cash basis net assets	(12,534)	20,569
Cash basis net assets beginning of year	<u>196,440</u>	<u>175,871</u>
Cash basis net assets end of year	<u>\$ 183,906</u>	<u>196,440</u>

In fiscal 2005, operating receipts increased by \$21,549, or 17.7%, primarily due to the receipt of insurance proceeds from hail damage sustained by the Kelley Fire Station. In fiscal 2005, operating disbursements decreased by \$8,699, or 15.3%, from fiscal 2004. Non-operating disbursements increased \$83,237, or 87.6%, due to the purchase of a rescue vehicle for Gilbert, breathing apparatus and personal protective equipment for fire fighters and thermal imaging cameras.

DEBT ADMINISTRATION

At June 30, 2005, the Agency had no long-term debt outstanding.

ECONOMIC FACTORS

The Westory Fire Agency's financial position decreased slightly during the current fiscal year due to large purchases of equipment. However, 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 require constant maintenance and upkeep and vehicles are aging and need to be replaced.
- Property tax roll back and annexation of land by the City of Ames from Washington and Franklin Townships will decrease the amount of funds available to the Agency.
- New training standards will increase the cost of training for the Agency.

The Agency anticipates the current fiscal year will be much like the last and 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 Gary Walter, Board Chair of Westory Fire Agency, P.O. Box 161, Kelley, Iowa 50134-0161.

Financial Statement

Exhibit A

Westory Fire Agency

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

As of and for the year ended June 30, 2005

Operating receipts:	
Township contributions	\$ 96,998
City contributions	19,600
Refunds and reimbursements	8,531
Insurance proceeds for property damage	17,307
Miscellaneous	1,011
Total operating receipts	<u>143,447</u>
Operating disbursements:	
Training	4,348
Maintenance and repair	12,680
Utilities	6,915
Insurance	12,535
Medical	1,100
Fuel	1,723
Supplies	3,006
Professional services	3,068
Uniforms	143
Miscellaneous	2,750
Total operating disbursements	<u>48,268</u>
Excess of operating receipts over operating disbursements	<u>95,179</u>
Non-operating receipts (disbursements):	
Interest on investments	1,574
Federal grants	67,424
Sale of assets	1,500
Equipment purchased	(178,211)
Total non-operating receipts (disbursements)	<u>(107,713)</u>
Change in cash basis net assets	(12,534)
Cash basis net assets beginning of year	<u>196,440</u>
Cash basis net assets end of year	<u>\$ 183,906</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 183,906</u>

See notes to financial statement.

Westory Fire Agency

Notes to Financial Statement

June 30, 2005

(1) Summary of Significant Accounting Policies

The Westory Fire Agency was formed in 1972 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 one representative from each of the two member townships, one representative from each of the two member cities and one at large member appointed by the other members. The Agency members are Franklin and Washington Townships of Story County and the Cities of Kelly and Gilbert.

A. Reporting Entity

For financial reporting purposes, the Westory Fire 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 on the 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 Westory Fire 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, 2005 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 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 Westory Fire 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 Commission 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.



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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 Westory Fire Agency:

We have audited the accompanying financial statement of the Westory Fire Agency as of and for the year ended June 30, 2005, and have issued our report thereon dated February 22, 2006. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Westory Fire Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Westory Fire Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

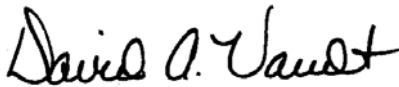
As part of obtaining reasonable assurance about whether the Westory Fire Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under

Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2005 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.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Westory Fire Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Westory Fire Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 22, 2006

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over each of the following areas for the Agency:

- (1) Receipts – collection, posting and deposit preparation.
- (2) Cash – deposit preparation, posting to receipts record and reconciling.
- (3) Investments – posting to receipts record and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – The receipts, cash deposits and investments will be reviewed at the Board meetings by a member of the Board. These will be done at each meeting until we put an official plan in place.

Conclusion – Response accepted.

- (B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the checking accounts and did not include investments and the money market account. Also, the monthly bank reconciliations were not reviewed by an independent person.

Recommendation – To provide better control over financial transactions and overall accountability, the monthly bank reconciliations should include all bank accounts and investments. An independent person should review the reconciliations and document their review by initialing and dating the monthly reconciliations.

Response – The investment accounts are reconciled monthly and investment earnings will be recorded in the annual financial statement. The bank reconciliations will be reviewed by a Board member at each meeting until an official plan is in place.

Conclusion – Response accepted.

- (C) Information Systems – During our review of internal control, the existing control activities in the Agency's computer based system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Agency's computer based systems were noted:

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2005

The Agency does not have written policies for:

- password use.
- proper disposal of sensitive data/media.
- backups for personal computer hard drives.
- ensuring only software licensed to the Agency is installed on computers.
- personal use of computer equipment and software.

Also, computer backups are not being stored offsite and the Agency's disaster recovery plan does not contain all of the recommended elements.

Recommendation – The Agency should develop written policies addressing the above items in order to improve the Agency's control over computer based systems. Computer backups should be stored offsite and a written disaster recovery plan should be developed.

Response – A policy will be written and reviewed at the next Board meeting. This will include password use, proper disposal of sensitive material, backup for business computers, only software licensed to the Agency will be on the computers and a policy on personal use of the computer. Backups are being stored in a fire-proof box. The disaster plan is in the process of being developed. This should be approved by the Board before July 1, 2006.

Conclusion – Response accepted.

- (D) Receipts – The individual opening the mail prepares a pre-numbered receipt for each collection. However, the receipts are not compared to the bank deposits by an independent person.

Recommendation – The pre-numbered receipts should be reconciled to daily deposits by an independent person.

Response – The receipts and disbursements will be reviewed by a Board member at each meeting until an official policy is in place.

Conclusion – Response accepted.

Westory Fire Agency
Schedule of Findings
Year ended June 30, 2005

Other Findings Related to Statutory Reporting:

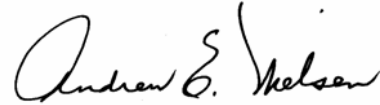
- (1) Official Depositories – A resolution naming official depositories has not been approved by the Agency.
Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Agency.
Response – This recommendation will be discussed at the next Board meeting and a limit on the sufficient funds to cover anticipated balances will be approved.
Conclusion – Response accepted.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (5) Deposits and Investments – Except as noted in item (1) above, 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.

Westory Fire Agency

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II

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

Andrew E. Nielsen, CPA
Deputy Auditor of State