SPIRIT LAKE COMMUNITY FIRE DEPARTMENT
SPIRIT LAKE, IOWA
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS
JUNE 30, 2010

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT

TABLE OF CONTENTS

	Exhibit	Page
Officials		1
Independent Auditors' Report		2 - 3
Financial Statement:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets	A	4
Notes to Financial Statement		5 - 7
Independent Auditors' 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		8 - 9
Schedule of Findings		10 - 11

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT

OFFICIALS

NAME	TITLE	REPRESENTING
Dale Palmberg	Chairman	City of Orleans
Clyde Ihrke	Vice-Chairman	City of Spirit Lake
Linda Voss	Secretary/Treasurer	Township of Lakeville
Kevin Bice	Member	City of Spirit Lake
Wally Jorgensen	Member	Township of Center Grove
Roger Overocker	Member	Township of Spirit Lake

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INDEPENDENT AUDITORS' REPORT

To the Members of the
Spirit Lake Community Fire Department
Spirit Lake, IA 51360

We have audited the accompanying statement of cash receipts, disbursements, and changes in cash basis net assets of the Spirit Lake Community Fire Department for the year ended June 30, 2010. This financial statement is the responsibility of the Department'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 statements. 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the 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 Spirit Lake Community Fire Department as of June 30, 2010 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 10, 2011 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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The Department has not presented management's discussion and analysis which introduces the basic financial statement by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

Winther, Stave & Co., LLP

February 10, 2011

FINANCIAL STATEMENT

Exhibit A

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	General Operating Fund	Firemen's Fundraising Fund	First Responders Special Fund	Total
OPERATING RECEIPTS:				
City and township contributions	$301,576			$301,576
Refunds and reimbursements	7,205	$ 500		7,705
TOTAL OPERATING RECEIPTS	308,781	500		309,281
OPERATING DISBURSEMENTS:				
Administrative net wages	9,420	1,800		11,220
Part-time firefighters net wages	8,213			8,213
Payroll tax deposits	2,813			2,813
Volunteer firemen fees and expenses	38,150			38,150
Training and other administrative expenses	10,220			10,220
Building and grounds	9,468			9,468
Utilities	7,629			7,629
Professional fees	2,500			2,500
Insurance	23,657			23,657
Vehicle operations	21,895			21,895
Repairs and supplies	6,198			6,198
First responders fees and expenses	4,326		$ 102	4,428
Telephone	1,688			1,688
TOTAL OPERATING DISBURSEMENTS	146,177	1,800	102	148,079
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	162,604	(1,300)	(102)	161,202
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	149			149
Grants and contributions	77,110	380		77,490
Fundraising receipts		22,244		22,244
Fundraising expenses		(14,798)		(14,798)
Loan payments:				
Principal	(111,192)			(111,192)
Interest	(3,808)			(3,808)
Equipment purchases	(83,850)	(11,130)		(94,980)
TOTAL NON-OPERATING DISBURSEMENTS - NET	(121,591)	(3,304)		(124,895)
CHANGE IN CASH BASIS NET ASSETS	41,013	(4,604)	(102)	36,307
CASH BASIS NET ASSETS - BEGINNING OF YEAR	155,545	22,880	3,048	181,473
CASH BASIS NET ASSETS - END OF YEAR	$196,558	$ 18,276	$ 2,946	$217,780
CASH BASIS NET ASSETS:				
Unrestricted	$196,558	$ 18,276	$ 2,946	$217,780

See Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Spirit Lake Community Fire Department was formed in 1985 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Department is to provide fire protection and aid and assistance for other emergencies or disasters relating to life or property to the units of government which are members of the Department.

The governing body of the Department is composed of three representatives from the four member townships and three representatives from the two member cities. The Department members are Lakeville, Diamond Lake, Spirit Lake, and Center Grove Townships of Dickinson County and the Cities of Spirit Lake and Orleans.

Reporting Entity

For financial reporting purposes, the Spirit Lake Community Fire Department has included all funds, organizations, agencies, boards, and commissions. The Department 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 Department are such that exclusion would cause the Department'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 Department 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 Department. The Department has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Department 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.

Basis of Accounting

The Spirit Lake Community Fire Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the Department in accordance with U.S. generally accepted accounting principles. Subsequent events were evaluated by management up to the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The Department's deposits in banks at June 30, 2010 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 Department 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 Department; 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 Department 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 Spirit Lake Community Fire Department 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 commercial insurance. The Department assumes liability for any deductibles and claims in excess of coverage limitation. Settled cliams from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

4. NOTES PAYABLE

The Department has a note payable to a bank, secured by a fire truck. The original amount of the note was $365,000. The balance outstanding was $12,068 at June 30, 2010. This note is payable in one installment of $12,596 including interest at 4% through October 25, 2010.

The Department also has a note payable to the State of Iowa, secured by a fire truck. The original amount of the note was $150,000. The balance outstanding was $90,000 at June 30, 2010. This note is payable in equal semi-annual installments of $7,500 through the year ending June 30, 2016. The note is interest free.

Annual debt service requirements to maturity for the above notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 27,068	$ 528	$ 27,596
2012	15,000		15,000
2013	15,000		15,000
2014	15,000		15,000
2015	15,000		15,000
2016	15,000		15,000
Total	$102,068	$ 528	$102,596

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INDEPENDENT AUDITORS' 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
Spirit Lake Community Fire Department
Spirit Lake, IA 51360

We have audited the accompanying financial statement of the Spirit Lake Community Fire Department as of and for the year ended June 30, 2010 and have issued our report thereon dated February 10, 2011. 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 Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing our opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 Department's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statement of the Spirit Lake Community Fire Department is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Department's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Department. 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 Department's written responses to findings identified in our audits are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Department's responses, we did not audit the Department's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Spirit Lake Community Fire Department and other parties to whom the Department may report and 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 Department 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.

Winther, Stave & Co., LLP

February 10, 2011

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT
SCHEDULE OF FINDINGS

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

I-A-10 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. We noted that one person has primary control over receipt collection, posting, deposit preparation, cash disbursements, and reconciling.

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

Response - We will continue to review our control procedures.

Conclusion - Response accepted.

I-B-10 Unrecorded Disbursements - Certain disbursements, including First Responders disbursements, equipment disbursements paid by grants and donations, and unbudgeted loan payments were not recorded on the Department's budget report.

Recommendation - We realize that these disbursements were not included on the report because they were not budgeted items. However, we recommend these items be recorded on a separate schedule (unbudgeted items) to facilitate the checking account reconciliation.

Response - The Department will comply with this recommendation.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

II-A-10 Questionable Disbursements - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-B-10 Travel Expense - No expenditures of money for travel expenses of spouses of Department officials were noted.

II-C-10 Board Minutes - No transactions were found that we believe should have been approved in the Department minutes but were not.

II-D-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.