WAUKON AREA FIRE PROTECTION DISTRICT

FINANCIAL STATEMENT

June 30, 2010

HAGEN & KALLEVANG, P.C.
Certified Public Accountants

WAUKON AREA FIRE PROTECTION DISTRICT

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WAUKON AREA FIRE PROTECTION DISTRICT

OFFICIALS

Name	Title	Representing
Jim Hager	President	Hanover & Ludlow Townships
Trent Mitchell	Vice President	City of Waukon
Joe Cunningham	Secretary	City of Waukon
Bernard Welsh	Treasurer	French Creek & Makee Townships
Tony Baxter	Commissioner	Franklin & Union Prairie Townships
Greg Kerndt	Commissioner	Center & Jefferson Townships
Joe Kroack	Commissioner	City of Waukon
Loren Beneke	Commissioner	City of Waukon

Ex-officer's

Jim Ryan	Fire Chief
Bill Hennessey	Assistant Fire Chief
Paul Mathis	Assistant Fire Chief

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Waukon Area Fire Protection District:

We have audited the accompanying financial statement of the Waukon Area Fire Protection District, as of and for the year ended June 30, 2010. This financial statement is the responsibility of the Waukon Area Fire Protection District'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 that our audit provides a reasonable basis for our opinion.

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 Waukon Area Fire Protection District 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 March 11, 2011 on our consideration of the Waukon Area Fire Protection District'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 internal control over financial reporting or 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 3 through 5 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.

Hagen + Kallevang, P.C.

March 11, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Waukon Area Fire Protection District provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Waukon Area Fire Protection District is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statement, which follows.

2010 FINANCIAL HIGHLIGHTS

- The District's operating receipts increased 22.0%, or about $24,800, from fiscal 2009 to fiscal 2010.
- The District's operating disbursements increased 8.4%, or about $6,300, from fiscal 2009 to fiscal 2010.
- The District's non-operating disbursements increased 85.2%, or about $17,400, from fiscal 2009 to fiscal 2010.
- The District's net assets increased 56.4%, or about $26,700, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The District 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 District'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, 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 District's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Waukon Area Fire Protection District's financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the District's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the District's operating receipts and disbursements, non-operating receipts and disbursements and whether the District'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 District and the disbursements paid by the District, both operating and non-operating. The statement also presents a fiscal snapshot of the District's cash balance at year end. Over time, readers of the financial statement are able to determine the District'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 Waukon Area Fire Protection District. The purpose of the District shall be to provide and administer fire protection services and such other emergency services as may be approved for and within Waukon and all or parts of the area townships The City of Waukon and townships of Center, Jefferson, French Creek, Makee, Franklin, Union Prairie, Hanover, and Ludlow are the District's members. Operating disbursements are disbursements paid to operate the Waukon Area Fire Protection District. Non-operating receipts are for interest on investments. Non-operating disbursements are debt obligation payments and equipment purchased. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2010 and 2009 is presented below:

	Year Ended June 30,	
	2010	2009
Operating receipts:		
City contributions	$ 56,585	$ 55,000
Township contributions	56,585	55,000
Charges for service	10,306	1,755
Grant income	12,316	-
Miscellaneous	1,997	1,214
Total operating receipts	137,789	112,969
Operating disbursements:		
Contracted fire services		
Fire chief	3,730	4,800
Other	12,186	13,693
Directors fees	982	2,044
Training	1,598	2,144
Vehicle fuel	2,720	2,656
Utilities	6,805	7,638
Pest control	300	275
Supplies	19,331	6,063
Repairs and maintenance	11,906	24,922
Miscellaneous	644	520
Insurance	21,198	10,350
Total operating disbursements	81,400	75,105
Excess of operating receipts over operating disbursements	56,389	37,864
Non-operating receipts (disbursements):		
Interest on investments	856	185
Sale of equipment	7,306	-
Debt Service		
Principal	-	(15,000)
Interest	-	(759)
Equipment	(37,804)	(4,672)
Total non-operating receipts (disbursements)	(29,642)	(20,246)
Change in cash basis net assets	26,747	17,618
Cash basis net assets beginning of year	47,345	29,727
Cash basis net assets end of year	$ 74,092	$ 47,345

In fiscal 2010, operating receipts increased $24,800 of which $12,316 was from grant income and $3,170 was from an increase in city and township contributions. In fiscal 2010, operating disbursements increased $6,300, or 8.4%, over fiscal 2009. Non-operating disbursements increased $17,400, or 85.2%, due the purchase of more equipment. Non-operating receipts increased $671 due to starting a savings account with higher interest rates in fiscal year 2010.

DEBT ADMINISTRATION

At June 30, 2010, the District had no long-term debt outstanding.

ECONOMIC FACTORS

The Waukon Area Fire Protection District's financial position increased 56.4%, or $26,700, from fiscal 2009. The current condition of the economy in the state continues to be a concern for District officials. Some of the realities that may potentially become challenges for the District to meet are:

- Facilities 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 Waukon from Makee and Union Prairie Townships will decrease the amount of funds available to the District.
- New training and safety standards will increase the cost of training for the District.
- The Waukon Area Fire Protection District will acquire over $100,000 worth of essential equipment through federal grants over the next few years. In 15 years, this equipment will need to be replaced.

The District anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the District's ability to react to unknown issues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bernard J. Welsh, 864 Pioneer Dr., Waukon, IA 52172.

FINANCIAL STATEMENT

Exhibit A

WAUKON AREA FIRE PROTECTION DISTRICT

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

As of and for the year ended June 30, 2010

Operating receipts:	
City contributions	$ 56,585
Township contributions	56,585
Charges for service	10,306
Grant income	12,316
Miscellaneous	1,997
Total operating receipts	137,789
Operating disbursements:	
Contracted fire services	
Fire chief	3,730
Other	12,186
Directors fees	982
Training	1,598
Vehicle fuel	2,720
Utilities	6,805
Pest control	300
Supplies	19,331
Repairs and maintenance	11,906
Miscellaneous	644
Insurance	21,198
Total operating disbursements	81,400
Excess of operating receipts over operating disbursements	56,389
Non-operating receipts (disbursements):	
Interest on investments	856
Sale of equipment	7,306
Equipment	(37,804)
Total non-operating receipts (disbursements)	(29,642)
Change in cash basis net assets	26,747
Cash basis net assets beginning of year	47,345
Cash basis net assets end of year	$ 74,092
Cash Basis Net Assets	
Unrestricted	$ 74,092

See notes to financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waukon Area Fire Protection District was formed in July 2006 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the District shall be to provide and administer fire protection services and such other emergency services as may be approved for and within the City of Waukon and all or parts of the Townships.

The governing body of the District is composed of eight commissioners. The City of Waukon is represented by four commissioners. The remaining four commissioners represent two Townships each which are as follows:

Center and Jefferson
French Creek and Makee
Franklin and Union Prairie
Hanover and Ludlow

A. Reporting Entity

For financial reporting purposes, the Waukon Area Fire Protection District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District's financial statements 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 District 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 District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the District 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 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 Waukon Area Fire Protection District maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the District 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 as not present the financial position and results of operations of the District in accordance with U.S. generally accepted accounting principles.

NOTE 2 - CASH AND INVESTMENTS

The District'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 District 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 District; 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 District has no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - RISK MANAGEMENT

The District 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 District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 4 - SUBSEQUENT EVENTS

The District has been notified it will receive a grant of $100,000 from the United States Department of Agriculture to assist with the purchase of a fire equipment vehicle.

Management has evaluated subsequent events through March 11, 2011, the date on which the financial statements were available to be issued.

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF A FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioners of
Waukon Area Fire Protection District:

We have audited the accompanying financial statement of the Waukon Area Fire Protection District as of and for the year ended June 30, 2010, and have issued our report thereon dated March 11, 2011. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with another 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

planning and performing our audit, we considered the Waukon Area Fire Protection District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waukon Area Fire Protection District's control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be 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 City of Waukon's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 Part II of the accompanying Schedule of Findings as items II-A-10 and II-B-10 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waukon Area Fire Protection District's nancial 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District'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 District. 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 Waukon Area Fire Protection District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the District'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 officials, and citizens of the Waukon Area Fire Protection District, and other parties to whom the Waukon Area Fire Protection District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

e would like to acknowledge the many courtesies and assistance extended to us by the Waukon Area ire Protection District 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.

Hagen + Kallevang, P.C.

March 11, 2011

WAUKON AREA FIRE PROTECTION DISTRICT

SCHEDULE OF FINDINGS

June 30, 2010

Part I: Summary of the Independent Auditor's Results

a. An unqualified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

c. The audit did not disclose any non-compliance which is material to the financial statements.

d. A Single Audit was not necessary since Federal funds expended during the year were less than $500,000.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

II-A-10

Segregation of Duties - The District is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control.

Recommendation - We realize this condition will be difficult to improve on. However, we do believe it is important the District be aware this condition does exist and make changes when appropriate and cost effective.

Response and Corrective Action Planned – Approved the recommendation. We will comply with it.

Conclusion - Response accepted.

II-B-10

Preparation of Financial Statements – The District is capable of preparing various financial reports that provide information sufficient for the Commissioners to make management decisions. However, reporting financial data reliably in accordance with the Governmental Accounting Standards Board (GASB) and the cash basis of accounting requires management to possess expertise in preparing year-end financial statements, including footnote disclosures. As is common in small entities, management has the ability to review the financial statements and footnote disclosures for errors, but they presently lack the training to prepare the year-end financial statements and footnote disclosures on their own. As such, management requested us to prepare the financial statements and related disclosures.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GASB and the cash basis of accounting can be considered costly and ineffective. However, obtaining additional GASB and the cash basis of accounting knowledge through reading relevant accounting literature and attending continuing education courses should help management improve in their ability to prepare internally and take responsibility for reliable GASB and the cash basis of accounting financial statements.

Response and Corrective Action Planned – Approved the recommendation. We will comply with it.

Conclusion - Response accepted.

Instances of Non-Compliance

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-10
Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-B-10
Travel Expense - No disbursements of money for travel expenses of spouses of officials or employees were noted.

III-C-10
Business Transactions - The following business transactions between the District and District officials were noted:

Name, Title, and Business Connection	Transaction Description	Amount
Paul Mathis, Assistant Fire Chief Owner of Waukon Tire Center	Repairs	$2,365

The transaction listed above in excess of $1,500 may be in violation of Iowa Code Section 362.5 since cumulative purchases exceeded $1,500.

Recommendation

We recommend the District seek advice from their attorney to determine if there has been a violation of the Code of Iowa in regards to the transactions with the above stated related party, and if so, what action is needed. The District should consider a policy to monitor these transactions to maintain Code of Compliance.

Response - Our attorney is working on the policy.

Conclusion- Response accepted.

WAUKON AREA FIRE PROTECTION DISTRICT

SCHEDULE OF FINDINGS

June 30, 2010

III-D-10

District Minutes - No transactions were found that we believe should have been approved in the District minutes but were not.

III-E-10

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

III-F-10

Information Returns (1099's) – Services are being performed for the District in excess of requirements of the Internal Revenue Service (IRS) and the reporting forms (1099's) are not being issued.

Recommendation –The District should implement procedures so IRS compliance issues are being addressed to.

Response and Corrective Action Planned – We are working on the procedures. We will agree on them.

Conclusion - Response accepted.