SPIRIT LAKE COMMUNITY FIRE DEPARTMENT
SPIRIT LAKE, IOWA
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS
JUNE 30, 2015

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT

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SPIRIT LAKE COMMUNITY FIRE DEPARTMENT

OFFICIALS

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Spirit Lake Community Fire Department as of and for the year ended June 30, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Spirit Lake Community Fire Department as of June 30, 2015 and the change in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 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, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Winther, Stave & Co., LLP

November 20, 2015
Spencer, Iowa

FINANCIAL STATEMENT

Exhibit A

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGE IN CASH BASIS NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	General Operating Fund	Firemen's Fundraising Fund	First Responders Special Fund	Total
OPERATING RECEIPTS:				
City and township contributions	$273,802			$273,802
Refunds and reimbursements	520	$ 10		530
TOTAL OPERATING RECEIPTS	274,322	10		274,332
OPERATING DISBURSEMENTS:				
Administrative net wages	13,852	1,662		15,514
Part-time firefighters net wages	2,835			2,835
Volunteer firemen net wages	34,401			34,401
Payroll tax deposits	9,461			9,461
Training and other administrative expenses	6,367			6,367
Building and grounds	13,421			13,421
Utilities	8,286			8,286
Professional fees	3,500			3,500
Insurance	40,763			40,763
Vehicle operations	12,277			12,277
Repairs and supplies	8,363			8,363
First responders fees and expenses	2,126		$ 4,488	6,614
Telephone	1,096			1,096
TOTAL OPERATING DISBURSEMENTS	156,748	1,662	4,488	162,898
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	117,574	(1,652)	(4,488)	111,434
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	135			135
Grants and contributions	12,024	2,215		14,239
Fundraising receipts		26,807		26,807
Fundraising expenses		(15,624)		(15,624)
Loan payments:				
Principal	(15,000)			(15,000)
Equipment purchases	(10,488)	(4,559)		(15,047)
Reimbursements to other accounts	(3,691)		3,691	
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS) - NET	(17,020)	8,839	3,691	(4,490)
CHANGE IN CASH BASIS NET POSITION	100,554	7,187	(797)	106,944
CASH BASIS NET POSITION - BEGINNING OF YEAR	457,929	31,269	2,317	491,515
CASH BASIS NET POSITION - END OF YEAR	$558,483	$ 38,456	$ 1,520	$598,459
CASH BASIS NET POSITION:				
Unrestricted	$558,483	$ 38,456	$ 1,520	$598,459

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 statement of the Department 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 Department in accordance with accounting principles generally accepted in the United States of America.

Subsequent Events

Subsequent events were evaluated by management up to the date of the auditors' report, which is the date the financial statement was available to be issued.

2. CASH AND INVESTMENTS

The Department's deposits in banks at June 30, 2015 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 claims 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 the State of Iowa, secured by a fire truck. The original amount of the note was $150,000. The balance outstanding was $15,000 at June 30, 2015. 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 note are as follows:

Year Ending June 30,	Principal	Total
2016	$ 15,000	$ 15,000

5. COMMITMENTS

The Department accepted a bid for a new fire truck in June 2015 for $267,814. No payments were made during the fiscal year ending June 30, 2015.

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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 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Spirit Lake Community Fire Department as of and for the year ended June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated November 20, 2015. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Spirit Lake Community Fire Department's internal control over financial reporting (internal control) to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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 statement will not be prevented

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or detected and corrected on a timely basis. 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spirit Lake Community Fire Department's financial statement 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements 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.

Spirit Lake Community Fire Department Response to Finding

The Department's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

November 20, 2015
Spencer, Iowa

SPIRIT LAKE COMMUNITY FIRE DEPARTMENT
SCHEDULE OF FINDINGS

Part I: Findings Related to the Financial Statement

Internal Control Deficiencies:

I-A-15 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.

Instances of Noncompliance:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

II-A-15 Questionable Disbursements - We noted no disbursements which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-B-15 Travel Expense - No disbursements of money for travel expenses of spouses of Department officials were noted.

II-C-15 Business Transactions - No business transactions between the Department and Department officials or employees were noted.

II-D-15 Board Minutes - No transactions were found that we believe should have been approved in the Department minutes but were not.

II-E-15 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.