ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
ARNOLDS PARK, IOWA
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS
JUNE 30, 2015

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE

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ARNOLDS PARK-OKOBOJI FIRE AND RESCUE

OFFICIALS

NAME	TITLE
John Adams	Board Member - Arnolds Park
Jerry Robinson	Board Member - Okoboji
Jerry Thielen	Board Member - At-Large
Chris Yungbluth	Fire Chief
Jim Hentges	Assistant Fire Chief
Tom Struthers	Secretary

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INDEPENDENT AUDITORS' REPORT

To the Officials and Members of the
Arnolds Park-Okoboji Fire and Rescue
Arnolds Park, IA 51331

Report on the Financial Statement

We have audited the accompanying statement of cash receipts, disbursements and change in cash balance of the primary government of Arnolds Park-Okoboji Fire and Rescue (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 the 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

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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.

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statement referred to above does not include financial data for the Department's legally separate component unit. Accounting principles for the basis of accounting described in Note 1 require the financial data for the component unit to be reported with the financial data of the Department's primary government unless the Department also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Department has not issued such reporting entity financial statements. Because of this departure from accounting principles for the basis of accounting described in Note 1, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported as $61,570, $-0-, $61,570, $40,640 and $16,982, respectively.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statement referred to above does not present fairly the financial position of the discretely presented component unit of Arnolds Park-Okoboji Fire and Rescue as of June 30, 2015, or the change in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the primary government of Arnolds Park-Okoboji Fire and Rescue as of June 30, 2015, and the change in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the 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 25, 2015 on our consideration of Arnolds Park-Okoboji Fire and Rescue'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 Arnolds Park-Okoboji Fire and Rescue's internal control over financial reporting and compliance.

Winther, Stave & Co. LLP

November 25, 2015
Spencer, Iowa

FINANCIAL STATEMENT

Exhibit A

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGE IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING RECEIPTS:	
City contributions	$164,118
TOTAL OPERATING RECEIPTS	164,118
OPERATING DISBURSEMENTS:	
Advertising and promotions	400
Dues and subscriptions	1,030
Administrative expenses	39,007
Volunteer fees and expenses	40,066
Training	1,050
Insurance	21,214
Vehicle operations	2,156
Repairs and supplies	19,391
Communications	10,802
Person/protective equipment	12,865
TOTAL OPERATING DISBURSEMENTS	147,981
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	16,137
NON-OPERATING RECEIPTS:	
Interest on investments	121
Grants and donations	1,255
Transfer from Association	10,294
TOTAL NON-OPERATING RECEIPTS	11,670
CHANGE IN CASH BALANCE	27,807
CASH BALANCE - BEGINNING OF YEAR	92,817
CASH BALANCE - END OF YEAR	$120,624
CASH BASIS FUND BALANCE:	
Unrestricted	$120,624

See Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arnolds Park-Okoboji Fire and Rescue (Department) was formed July 1, 2011 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.

Arnolds Park-Okoboji Fire and Rescue is a component unit of the City of Arnolds Park, Iowa as determined by criteria specified by the Governmental Accounting Standards Board. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council of Arnolds Park and Okoboji, and a third member appointed and approved by a majority vote of the city councils of the municipalities.

Reporting Entity

For financial reporting purposes, Arnolds Park-Okoboji Fire and Rescue is considered a primary government and has excluded the financial data of its component unit, Arnolds Park-Okoboji Fire and Rescue Association (a non-profit organization). A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the Department is financially accountable. 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. Since the financial statement does not include the Department's component unit, they do not purport to be prepared in conformity with the basis of accounting described below as it relates to the exclusion of the component unit described below:

> The Department participates with the Arnolds Park/Okoboji Fire and Rescue Association, which is organized under Chapter 504 of the Code of Iowa and collects, attains, and disburses donations to the Department. Financial information for Arnolds Park/Okoboji Fire and Rescue Association can be obtained from their administrative offices.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

Arnolds Park-Okoboji Fire and Rescue 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 independent auditors' report, which is the date the financial statement was available to be issued.

2. CASH AND INVESTMENTS

The Department's cash balance consists of deposits in banks at June 30, 2015 which 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; and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Department.

The Department had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The Department's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 365 days. Funds not identified as operating funds may be invested with maturities longer than 365 days, but the maturities shall be consistent with the needs and use of the Department.

3. RISK MANAGEMENT

The Arnolds Park-Okoboji Fire and Rescue 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.

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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 Officials and Members of
Arnolds Park-Okoboji Fire and Rescue
Arnolds Park, IA 51331

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 primary government of Arnolds Park-Okoboji Fire and Rescue (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 25, 2015. Our report expressed an unmodified opinion on the primary government 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 Arnolds Park-Okoboji Fire and Rescue'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 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

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possibility a material misstatement of the Department's financial statement will not be prevented 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 described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arnolds Park-Okoboji Fire and Rescue'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*. However, we noted a certain immaterial instance of noncompliance or other matters that is described in Part II of the accompanying Schedule of Findings.

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 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.

Arnolds Park-Okoboji Fire and Rescue's Responses to Findings

The Department's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Arnolds Park-Okoboji Fire and Rescue 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 25, 2015
Spencer, Iowa

Part I: Findings Related to the Financial Statement

Internal Control Deficiencies:

I-A-15 Segregation of Duties - The Department has no employees, and responsibilities assigned to management and Board members do not provide adequate segregation of duties. We noted that one person has primary control over receipt collection, posting, deposit preparation, cash disbursements, and reconciling.

Recommendation - We realize that with no 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 were noted.

II-D-15 Board Minutes - Although the minutes generally included approval of disbursements, we were unable to identify that all disbursements had been approved.

Recommendation - The Department should document approval of all disbursements.

Response - We will prepare more detailed documentation of all disbursements being approved.

Conclusion - Response accepted.

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.