

**North Berrien Fire-Rescue Board
Berrien County, Michigan**

Financial Report

March 31, 2009

RENDEL ELIE
——— & ———
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

North Berrien Fire-Rescue Board

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Independent Auditors' Report

Board of Trustees
North Berrien Fire-Rescue Board
Coloma, Michigan

We have audited the accompanying basic financial statements of the North Berrien Fire-Rescue Board as of March 31, 2009 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the North Berrien Fire-Rescue Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Berrien Fire-Rescue Board as of March 31, 2009 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North Berrien Fire-Rescue Board. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Independent Auditors' Report (continued)

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North Berrien Fire-Rescue Board. We did not examine this data and, accordingly, do not express an opinion thereon.

Rendel Elie & Associates

RENDEL ELIE & ASSOCIATES, PLC
CERTIFIED PUBLIC ACCOUNTANTS

August 28, 2009

1010 Main Street
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**North Berrien Fire-Rescue Board
Management's Discussion and Analysis
March 31, 2009**

Using this Annual Report

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Fire Board:

- The first column of the financial statements includes information on the Fire Board's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Fire Board's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Fire Board's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Board as a whole and present a longer-term view of the Fire Board's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**North Berrien Fire-Rescue Board
Management's Discussion and Analysis
March 31, 2009**

Condensed Financial Information

The table below compares key financial information as of March 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets:		
Current assets	\$ 127,849	\$ 90,538
Non-current assets	<u>767,936</u>	<u>823,852</u>
Total assets	895,785	914,390
Liabilities:		
Current liabilities	<u>26,742</u>	<u>25,078</u>
Total liabilities	26,742	25,078
Net assets:		
Invested in capital, net of related debt	767,936	823,852
Unrestricted	<u>101,107</u>	<u>65,460</u>
Total net assets	<u>\$ 869,043</u>	<u>\$ 889,312</u>
Revenue:		
Local unit contributions	\$ 277,797	\$ 508,332
Grant revenue	-	21,386
Charges for services	20,518	6,305
Non-cash contributions	5,000	-
Other revenue	423	2,664
Interest	<u>1,389</u>	<u>3,173</u>
Total revenue	305,127	541,860
Expenses	<u>325,396</u>	<u>359,855</u>
Change in net assets	<u>\$ (20,269)</u>	<u>\$ 182,005</u>

**North Berrien Fire-Rescue Board
Management's Discussion and Analysis
March 31, 2009**

The Fire Board as a Whole

- The Fire Board's net assets decreased by \$20,269 compared to an increase of \$182,005 the prior year.
- The Fire Board's primary source of revenue is from contributions from local governmental units, which represents 91% of the current year revenue and 94% of the prior year revenue. The Fire Board received grants of \$21,386 for the prior year.
- Personnel costs continue to be a significant expense of the Fire Board, representing 41% of the current year expenses and 41% of the prior year expenses.

Capital Asset and Debt Administration

Capital assets increased by approximately \$8,256, which includes the value of donated equipment. The prior year, the Fire Board's capital assets increased by \$286,017, this included the purchase of a Freightliner tanker/pumper.

The Fire Board does not have any long-term debt.

Fire Board Budgetary Highlights

The originally adopted budget was not amended over the course of the year. The budget included professional services that were in excess of actual expenditures and personnel and supplies that were below actual expenditures. Total expenditures were \$56,520 under budget and revenue was \$20,873 under budget.

Next Year

Grant Award - The Fire Board was awarded a Federal grant to purchase equipment before February 26, 2010. The approved project costs total \$140,540. The Federal share is 95 percent or \$133,513 and the Fire Board's share is 5 percent or \$7,027.

Change in Revenue – Bainbridge Township voted to discontinue the use of the Fire Board's services, effective October 12, 2009.

Change in Administration – The Fire Board is in contract negotiations for a full-time fire chief. The Board is expected to change from a part-time fire chief to a full-time fire chief within the fiscal year ending March 31, 2010.

North Berrien Fire-Rescue Board
Governmental Fund Balance Sheet / Statement of Net Assets
March 31, 2009

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 110,095	\$ -	\$ 110,095
Due from other governmental units	12,021	-	12,021
Prepaid expenses	5,733	-	5,733
Capital assets, net	-	767,936	767,936
Total assets	<u>\$ 127,849</u>	<u>767,936</u>	<u>895,785</u>
Liabilities			
Accounts payable	\$ 3,252	-	3,252
Due to other governmental units	1,340	-	1,340
Accrued wages and payroll taxes	<u>22,150</u>	<u>-</u>	<u>22,150</u>
Total liabilities	<u>26,742</u>	<u>-</u>	<u>26,742</u>
Fund Balance/Net Assets			
Fund balance - unreserved, undesignated	<u>101,107</u>	<u>(101,107)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 127,849</u>		
Net assets:			
Invested in capital assets, net of debt		767,936	767,936
Unrestricted		<u>101,107</u>	<u>101,107</u>
Total net assets		<u>\$ 869,043</u>	<u>\$ 869,043</u>

See auditors' report and notes to financial statements.

North Berrien Fire-Rescue Board
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /
Statement of Activities
Year Ended March 31, 2009

	<u>General Fund</u> <u>Modified</u> <u>Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Activities</u>
Revenues:			
Local unit contributions	\$ 277,797	\$ -	\$ 277,797
Charges for services	20,518	-	20,518
Non-cash contributions	5,000	-	5,000
Interest	1,389	-	1,389
Other revenue	423	-	423
Total revenue	305,127	-	305,127
Expenditures:			
Personnel	133,524	-	133,524
Repairs and maintenance	37,945	-	37,945
Insurance	26,967	-	26,967
Utilities	19,152	-	19,152
Supplies	15,793	-	15,793
Professional services	10,544	-	10,544
Board fees	2,955	-	2,955
Education and training	3,130	-	3,130
Uniforms	10,831	-	10,831
Miscellaneous	383	-	383
Capital outlay	8,256	(8,256)	-
Depreciation	-	64,172	64,172
Total expenditures	269,480	55,916	325,396
Excess of Revenue over Expenditures /			
Change in Net Assets	35,647	(55,916)	(20,269)
Fund Balance/Net Assets - beginning of year	65,460	823,852	889,312
Fund Balance/Net Assets - end of year	\$ 101,107	\$ 767,936	\$ 869,043

See auditors' report and notes to financial statements.

North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009

Summary of Significant Accounting Policies

Reporting Entity

The North Berrien Fire-Rescue Board is a joint venture between the City of Coloma, Coloma Charter Township, and Hagar Township and is governed by a seven-member board appointed by the City and Townships. The purpose of the Joint Fire Board is to operate, maintain, provide and supervise fire service. The Fire Board is funded primarily through contributions from the City of Coloma, Coloma Charter Township, Bainbridge Township, and Hagar Township.

The Fire Board is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The accounting policies of the North Berrien Fire-Rescue Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Board's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Fire Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

**North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009**

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported in four parts – invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009**

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire Board reports only one major governmental fund, the General Fund.

Financial Statement Amounts

Bank Deposits and Investments – The Fire Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets – Capital assets are defined by the Fire Board as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40-50 years
Furniture and equipment	3-7 years
Vehicles	5-20 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009**

Budget Information

The annual budget is prepared by the Fire Board Director and adopted by the Fire Board of Trustees; subsequent amendments are approved by the Fire Board of Trustees. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances – budget and actual – general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations, as adopted by the Fire Board, is presented in these financial statements.

During the year, the Fire Board did not incur expenditures that were in excess of budget by more than \$5,000.

Deposits and Investments

The Fire Board has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Board is in accordance with Public Act 196 of 1997 and has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authorized investments. The Fire Board's deposits and investment policies are in accordance with statutory.

Capital Assets

Capital asset activity was as follows:

	Beginning Balance	Additions	Deletions	End Balance
Buildings and improvements	\$ 232,802	\$ 3,256	\$ -	\$ 236,058
Vehicles	1,540,370	-	-	1,540,370
Equipment	<u>456,342</u>	<u>5,000</u>	-	<u>461,342</u>
Total	2,229,514	8,256	-	2,237,770
Accumulated depreciation	<u>(1,405,662)</u>	<u>(64,172)</u>	-	<u>(1,469,834)</u>
Net book value	<u>\$ 823,852</u>	<u>\$ (55,916)</u>	<u>\$ -</u>	<u>\$ 767,936</u>

**North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009**

Leasing Arrangements

The Fire Board leases the Hagar Township public safety building from the Township of Hagar for \$1 per year. The lease expires in June 2027.

Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property, liability and workers' compensation.

Name Change

The Coloma-Hagar Joint Fire Board was re-designated as the North Berrien Fire-Rescue Board by a resolution of the municipalities in the joint venture.

Subsequent Events

Grant Award - The Fire Board was awarded a grant to purchase equipment under FEMA's Assistance to Firefighters. The approved project costs total \$140,540. The Federal share is 95 percent or \$133,513 and the Fire Board's share of the costs is 5 percent or \$7,027. The grant expires after February 26, 2010.

Change in Revenue - In July 2009, Bainbridge Township voted to discontinue the use of the North Berrien Fire-Rescue Board's services. Effective October 12, 2009, the Fire Board will no longer provide fire services to Bainbridge Township.

Change in Administration - The Fire Board is in contract negotiations for a full-time fire chief. The Board is expected to change from a part-time fire chief to a full-time fire chief within the fiscal year ending March 31, 2010.

**North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009**

Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Fire Board's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance – Modified Accrual Basis \$ 101,107

Differences in the statement of net assets:

Capital assets are not financial resources,
and are not reported in the funds 767,936

Net Assets of General Fund – Full Accrual Method \$ 869,043

**North Berrien Fire-Rescue Board
Notes to Financial Statements
March 31, 2009**

**Reconciliation of Fund Financial Statements to Government-wide Financial
Statements (Continued)**

Net Change in Fund Balances – Modified Accrual Basis \$ 35,647

Differences in the statement of net assets:

Capital outlays are reported as expenditures in the Statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	8,256
Depreciation	<u>(64,172)</u>

Change in Net Assets of General Fund – Full Accrual Basis \$ (20,269)

**North Berrien Fire-Rescue Board
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2009**

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Over (Under)
Revenues:				
Local unit contributions	\$ 297,500	\$ 297,500	\$ 277,797	\$ (19,703)
Charges for services	-	-	20,518	20,518
Non-cash contributions	-	-	5,000	5,000
Interest	2,500	2,500	1,389	(1,111)
Other revenue	<u>26,000</u>	<u>26,000</u>	<u>423</u>	<u>(25,577)</u>
Total revenue	326,000	326,000	305,127	(20,873)
Expenditures:				
Personnel	167,000	167,000	133,524	(33,476)
Repairs and maintenance	39,000	39,000	37,945	(1,055)
Insurance	32,500	32,500	26,967	(5,533)
Utilities	18,680	18,680	19,152	472
Supplies	27,000	27,000	15,793	(11,207)
Professional services	6,920	6,920	10,544	3,624
Board fees	3,900	3,900	2,955	(945)
Education and training	4,000	4,000	3,130	(870)
Uniforms	12,000	12,000	10,831	(1,169)
Public relations	1,200	1,200	-	(1,200)
Miscellaneous	1,800	1,800	383	(1,417)
Capital outlay	<u>12,000</u>	<u>12,000</u>	<u>8,256</u>	<u>(3,744)</u>
Total expenditures	<u>326,000</u>	<u>326,000</u>	<u>269,480</u>	<u>(56,520)</u>
Excess of Revenue over Expenditures / Change in Net Assets	-	-	35,647	35,647
Fund Balance/Net Assets - beginning of year	<u>65,460</u>	<u>65,460</u>	<u>65,460</u>	-
Fund Balance/Net Assets - end of year	<u>\$ 65,460</u>	<u>\$ 65,460</u>	<u>\$ 101,107</u>	<u>\$ 35,647</u>

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CERTIFIED PUBLIC ACCOUNTANTS

August 28, 2009

North Berrien Fire-Rescue Board
PO Box 654
Coloma, MI 49038

We have audited the financial statements of the North Berrien Fire-Rescue Board for the year ended March 31, 2009, and have issued our report thereon dated August 28, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 9, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you at our meeting about planning matters on June 3, 2009.

Significant Audit Findings

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Berrien Fire-Rescue Board are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process (that is, cause future financial statements to be materially misstated). We proposed numerous adjusting journal entries, which in our judgment, had a significant effect on the North Berrien Fire-Rescue Board's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2009.

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Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the North Berrien Fire-Rescue Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Rendel Elie & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

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Audit Results Communication

August 28, 2009

North Berrien Fire-Rescue Board
PO Box 654
Coloma, MI 49038

We completed our audit of the financial statements of the North Berrien Fire-Rescue Board for the year ended March 31, 2009 and expect to issue our report thereon dated August 28, 2009. The following comments summarize the results of our 2009 audit:

In planning and performing our audit of the financial statements of the North Berrien Fire-Rescue Board, in accordance with auditing standards generally accepted in the United State of America, we considered North Berrien Fire-Rescue Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the Fire Board's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

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Controls over Financial Reporting Process

Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including recording of receivables and payables, were not in place. As in prior years, the Fire board has relied upon our firm as auditor to identify and develop adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare financial statements and appropriate disclosures. This service is currently allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Fire Board's financial statements. However, when an organization, on its own, lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when significant audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as significant deficiencies. Reliance on your *external* auditors cannot by definition be considered a part of the Fire Board's *internal* controls. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

This communication is intended solely for the information and use of management, the Association's board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Rendel Elie & Associates

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