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FC-R-2016-41

CUMBERLAND FIRE DISTRICT

Resolution

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RESOLUTION: Authorize Chairman Lemois to execute an engagement letter with the auditing firm of Parmelee, Poirier & Associates.

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Resolution: Authorize the hiring of Parmelee, Poirier & Associates

Be it resolved by the Cumberland Fire District as follows:

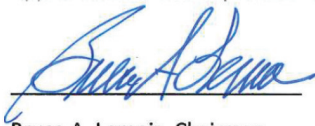
Whereas, The CFD is in the second year of a three year bid for the auditing of the finances.

Whereas, PPA was the successful bidder and approved by the Department of Revenue.

NOW, THEREFORE, BE IT RESOLVED BY THE CUMBERLAND FIRE DISTRICT AS FOLLOWS:

Section 1. Authorize Chairman Lemois to execute the engagement letter with PPA and pay the fee of \$15,000.00 in installments as outlined in the engagement letter.

Date passed: September 27, 2016


Bruce A. Lemois, Chairman


Debra Auclair, Clerk

YAY:

Champagne
Matta
Lemois

NAY:

Scullin

Ouellette - Work
Parent - Work
Koutsogiane - Absent

PASSED 3-1



Parmelee Poirier & Associates, LLP

Certified Public Accountants

September 7, 2016

Diane Karolyshyn
Finance Director
Cumberland Fire District
3502 Mendon Road
Cumberland, RI 02864

We are pleased to confirm our understanding of the services we are to provide Cumberland Fire District for the fiscal year ended June 30, 2016. We will audit the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Cumberland Fire District as of and for the year ended June 30, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Cumberland Fire District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Cumberland Fire District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary Comparison Information
- 3) Pension Information

We have also been engaged to report on supplementary information other than RSI that accompanies Cumberland Fire District's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Combining and Individual Non-Major Fund Statements (if any)
- 2) Schedule of Expenditures of Federal Awards (if required)
- 3) Other Supplementary Information

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 48 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). (if required).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of Uniform Guidance, if applicable, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, if applicable, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Fire Committee of the Cumberland Fire District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 statements. We will plan and perform the audit to

obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit, if applicable. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal awards programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Cumberland Fire District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Cumberland Fire District's major programs. The purpose of these procedures will be to express an opinion on Cumberland Fire District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Uniform Guidance.

Other Services

We will also assist in preparing financial statements, schedule of expenditures of federal awards (if required), and related notes of the Cumberland Fire District in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (a) establishing and maintaining effective internal controls, including internal controls over federal awards and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedules of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, and (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards, take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; prompt follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. If applicable, the summary schedule of prior audit findings should be available for our review on the first day of fieldwork.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards, if applicable, (including notes and noncash assistance received) in conformity with Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards, if applicable, in accordance with Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, if applicable.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial

statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Audit Documentation

Prior to and continuing on through the audit, certain schedules and documents will be required in order to perform our audit in a timely and efficient manner. Below is a detailed list of such information.

Completed trial balances for all funds pertaining to the audit. These trial balances should be in the proper reporting format and must be in balance. Each fund should also have a trial balance from the beginning of the fiscal year.

Bank reconciliations for all fund cash accounts that agree to their individual trial balances.

Supporting documentation for all investments that agree to their trial balances.

A schedule of all interfund receivables and payables that agrees to the trial balance of each individual fund.

A schedule of taxes receivable listed by tax years and amounts received for each year that agrees to the trial balance. This schedule should also include information regarding any abatements, adjustments or any other entry that affects taxpayer balances.

Detailed schedule of accounts payable for each fund that agrees to the trial balance.

Detailed schedule of any accrued expenses (e.g. payroll, vacation and compensated absences) that agrees to the trial balance.

A schedule of all debt by fund, which details payments of principal and interest that agrees to a trial balance if required. This should also include any required amortization schedules. In addition we will require a schedule of debt service interest based on the accrual basis not the cash basis.

We will require a schedule of fixed assets that includes any additions or deletions for the fiscal year. This schedule should include a listing of all fixed assets with a beginning balance as of July 1, 2015 and an ending balance as of June 30, 2016. The schedule should also include depreciation expense by asset for the fiscal year along with an accumulated depreciation schedule showing accumulated depreciation as of July 1, 2015 with an ending balance as of June 30, 2016. This schedule(s) should be segregated by fund when required.

A schedule of revenue for governmental funds that identifies what governmental program may have generated this revenue.

A report performed by an actuary showing the Net Pension Obligation (NPO) and Net Other Post Employment Benefit Obligation (NOPEB) of the District if required. This liability or asset calculation should be made part of your annual actuarial report.

The above listing is not to be considered all-inclusive, but rather a sample of the minimum required documentation. As the audit progresses additional schedules and documentation may be required to support management's assertions. Should the above information not be provided or made available or we are required to create the above schedules this would constitute a change in the current scope of work required as discussed in the following section "Audit Fees – Change in Scope".

We understand that your employees will locate any invoices, receipts or other documentation selected by us for testing.

The audit documentation for this engagement is the property of Parmelee, Poirier & Associates, LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to cognizant or oversight agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Parmelee, Poirier & Associates, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by any authoritative agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation

Timing and Delivery

We, as a company are committed to completing the audit and delivering your reports in a timely manner consistent with our schedule. This cannot happen without our company receiving completed information by certain scheduled dates. We will expect completed trial balances for all funds no later than September 26, 2016, footnote information by October 3rd and legal letters received no later than

October 31, 2016. Without this critical information by these scheduled dates we cannot guarantee delivery by our specified time.

Our audit work will be performed throughout the year beginning when engaged and continue through the completion of the report. We plan to issue our report(s) by November 30, 2016 provided we receive on a timely basis certain schedules and documents noted in the previous paragraph. The report(s) to be prepared and number of copies to be supplied by us is to be determined by the client to include the following:

Opinion on the Basic Financial Statements

Opinion on Compliance Applicable to Each Major Federal Program (if applicable)

Report on Internal Controls and Laws and Regulations Compliance

Financial Statements in PDF Format

At your request, we will also be responsible for typing, reproducing and binding the District's annual report, including the Independent Auditor's Reports. A portion of our audit fees and expenses are directly related to performing this function on your behalf.

Also, as required by generally accepted auditing standards, we will prepare a separate communication to the audit committee or governing body to report certain information concerning the conduct and results of the audit.

Audit Fees – Current Scope

Our audit fees are based entirely upon our understanding of the current scope of work required. This scope could change for a number of reasons, which are discussed in the following section, entitled "Audit Fees - Change in Scope"; and, therefore, final fees could be different from quoted fees. Our fees are based on the current audit scope as previously defined in this letter. The fee for the year ended June 30, 2016 and beginning July 1, 2015 will be \$15,000. The fee will be billed and payable in three installments of \$5,000 each. One at the start of field work, another at the end of fieldwork and the last upon delivery of draft financial statements.. This fee is based on receiving the anticipated cooperation from your personnel and the assumption that unexpected circumstances, as defined below, will not be encountered during the audit.

Audit Fees Change in Scope

If additional time is considered necessary to complete the audit due to a change in the scope of audit work or unexpected circumstances, we will discuss the scope change with you and arrive at a new fee estimate before we incur the additional costs or continue.

Examples of changes in audit scope or unexpected circumstances include, but are not limited to, the following:

- Difficulties encountered due to lack of accounting records, incomplete records or turnover in staff.
- Creation of new funds or activities (such as new debt) to audit.

- Addition of new authorities or other component units to the audit or reporting scope.

If such a change in scope is required, additional fees will be determined based on the additional audit work to be performed.

Nonaudit Services and Fees

In addition to the services provided under the scope of the audit as previously defined, upon District's request, we will provide accounting and consulting services. Examples of such services, not included in the audit scope and fees, include but are not limited to:

- * Accounting and balancing assistance;
- * Assistance with annual budget preparation and meetings;
- * Computer system consulting;
- * Summary and proposed accounting for bond trustee accounts;
- * Fixed asset records update or consulting;
- * Labor relations consulting;
- * Formal staff training or financial-related workshops;
- * Requested attendance at management or Council meetings not related to the audit;
- * Assistance with preparation of government required reports (US, etc.)
- * Assistance with accounting system improvements;

Management understands that these nonaudit services must be in compliance with *Government Auditing Standards* as issued by the U.S. Government Accountability Office. Management also understands that it is responsible for the substantive outcomes of the work and, therefore, has a responsibility to be in position in fact and appearance to make an informed judgment on the results of the nonaudit service, designate a management-level individual to be responsible and accountable for overseeing the nonaudit service, establish and monitor the performance of the nonaudit service to ensure that it meets managements objectives, make any decisions that involve management functions related to the nonaudit service, accept full responsibility for such decisions and evaluate the adequacy of the services performed. Our firm will also consider the effects of any nonaudit services on our independence as defined by Government Auditing Standards and evaluate such nonaudit services on an individual basis and document our conclusions.

These consulting services will be provided, as time is available at our standard hourly rates per level of staff for the time involved plus out-of-pocket expenses. The current standard hourly rates for consulting services are as follows:

<u>Associate</u>	<u>Hourly Rate</u>
Bernard A. Poirier, CPA	\$ 200
Jo-Anne M. Newton, CPA	\$ 150
Dustin Hopkins	\$ 125
Mailee Phet	\$125
David Hansen	\$ 95
Other Staff Persons	\$ 65 - \$ 75

If such consulting services are requested, we will perform the requested work only upon receiving your approval to proceed and will bill these services on a monthly basis as the cost is incurred.

We appreciate the opportunity to be of service to the Cumberland Fire District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let do not hesitate to reach out to us. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.


Bernard A. Poirier, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Respectfully submitted,


Partner
Parmelee, Poirier & Associates, LLP

ACCEPTANCE:

This letter correctly sets forth the understanding of the Cumberland Fire District.

By: _____

Title: Chairman, Fire Committee

Date: September 27 ,2016