



Audit & Accounting  
Solutions, LLC

1565 Plaza West Drive  
Prescott, AZ 86303  
Phone (928) 778-6760  
Fax (928) 776-0319

August 10, 2023

To: The Management & Governing Board  
Forest Lakes Fire District  
Forest Lakes, Arizona

We are pleased to confirm our understanding of the services we are to provide for Forest Lakes Fire District for the year ended June 30, 2023.

### **Audit Scope**

We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the district as of and for the year ended June 30, 2023. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the district's basic financial statements. As part of our engagement, we will apply certain limited procedures to the district's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. 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 Schedule

### **Audit Objectives**

The objective of our audit is to express an opinion concerning whether the financial statements of your entity are fairly presented, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP). Our audit will be conducted in accordance with Generally Accepted Auditing Standards (GAAS), as established by the Auditing Standards Board (United States), and in conformity with the standards for financial audits contained in *Government Auditing Standards*, as issued by the Comptroller General of the United States.



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Our audit will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of Forest Lakes Fire District's financial statements. Our report will be addressed to the Board of Directors of Forest Lakes Fire District.

We cannot provide any assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion on the financial statements is other than 'unqualified,' we will discuss the basis and rationale with management, within a reasonable time from the discovery of the defect, and prior to releasing the Audit Report. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed an opinion, we may decline to express an opinion, issue reports, and/or withdraw from this engagement.

We will also provide a report (which does not include an opinion) 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 as required by *Government Auditing Standards*.

The report on internal control 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 the testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 paragraph will also state that the report is not suitable for any other purpose. If during our audit, we become aware that Forest Lakes Fire District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **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



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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 District or to acts by management or employees acting on behalf of the District. 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 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. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets that comes 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. 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, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may also request written representations from the District's attorneys, insurance, and notes payables 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; 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 District 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



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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*.

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 and *Government Auditing Standards*.

### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Forest Lakes Fire District’s compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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*.

### **Non-Attest Services**

Our firm will assist with the preparation of the financial statements and the related notes for your district. We will also prepare a capital asset and depreciation schedule. These services will be conducted in conformity with U.S. generally accepted accounting principles based on information provided by you. These non-audit services do not constitute an audit under *Government Auditing Standards*, and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement and capital asset schedule preparation services, previously defined. We, in our sole professional judgment, reserve the right to refuse to take any action or perform any procedure that could be construed as assuming management’s responsibilities.

You agree to assume and exercise all managerial responsibilities relating to the financial statements, supplementary information, related notes, and the entry of data into whatever system requires it.

With regard to our non-attest services, management will be required to designate an individual, preferably from senior management, of suitable skill, knowledge, and experience to oversee our work, evaluate the adequacy and results of those services, and accept responsibility for them.



## Reporting

We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Governing Board (Those Charged with Governance). We will provide a supplementary report (which does not include an opinion) on Internal Control over Financial Reporting and Compliance that is related to the financial statements, and on compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, where noncompliance could have a material effect on the financial statements, as required by *Government Auditing Standards*.

Any Report on Internal Control over Financial Reporting will include the following statement:

***“This report is intended solely for the information and use of the audit committee, management, and specific legislative and/or regulatory bodies. Use of this report for any other purpose is not authorized, because it is not intended to be (and should not be) used by anyone other than these specified parties; or for any other purpose.”***

If, during our audit, we become aware that the district is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with:

- U.S. Generally Accepted Auditing Standards (GAAS),
- the Standards for Financial Audits contained in *Government Auditing Standards*

...may not satisfy the relevant legal, regulatory, or contractual requirements that your district may be subject to. *We provide no assurance that an unmodified opinion will be expressed.*

Circumstances may arise in which it is necessary for us to modify our opinion, add 'Emphasis' to a matter, add 'Other Matters' paragraph(s), or to withdraw from the engagement.

Use of the Audit Report is restricted to those that advance the purpose for which the Audit Report is being produced; in this case, the Audit Report is being produced as a matter of compliance with regulatory requirements relevant to your district. Any use beyond this scope is not authorized and may be considered a breach of this agreement. Any disclosure of the Audit Report by you, or any third-party acting on your instruction or behalf, for any purpose outside the aforementioned scope is done at your own risk, and you agree that SC Audit &



Accounting Solutions, LLC and all members of its staff shall be indemnified, defended, and held harmless for any and all such disclosures. Harm caused by the disclosure of the Audit Report, or any other work-product produced during the course of this engagement, by third parties shall be the sole responsibility of the disclosing party; and shall not give rise to liability or a cause of action against SC Audit & Accounting Solutions, LLC or any member of its staff. These provisions apply even where a court might hold that negligence was a factor.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and/or confidential information, copies of our reports are to be made available for public inspection. You are responsible for the delivery of the audit to the appropriate governmental agencies.

### **Management Responsibilities**

Management is responsible for:

1. establishing and maintaining effective internal controls; including:
  - a. monitoring ongoing activities;
  - b. helping to ensure that appropriate goals and objectives are met;
  - c. following laws and regulations;
  - d. ensuring that management is reliable;
  - e. that financial information is reliable and properly reported;
  - f. implementing systems designed to achieve compliance with applicable Laws, regulations, contracts, and grant agreements;
2. the selection and application of accounting principles;
3. the preparation of, or approval and adoption of, the basic, financial statements, fairly presented, in accordance with Governmental Accounting Standards and U.S. generally accepted accounting principles, reporting provisions of Arizona Revised Statutes, Title 48 § 251.A(1), as well as all District information and all of the representations contained therein;
4. adjusting the financial statements to correct for any and all material misstatements;
5. you agree to assume all management responsibilities relating to the taxes, financial statements, related notes, and any other non-audit services we provide;
6. you agree to oversee any non-audit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to evaluate the adequacy and results of the services and accept responsibility for them.
7. for providing us with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements;
8. making all financial records and related information available to us, and for the accuracy and completeness of that information;





9. for providing us with additional information that we may request for the purpose of the audit;
10. unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence;
11. ensuring that your District's employees prepare all confirmations we may request, including cash, accounts receivable, etcetera; and that they will locate and provide us with any documents selected by us for testing within 10 business days of any such request;
12. using appropriate and effective means of communication to authorize the predecessor auditor (if any) to allow full and unlimited review of the audit documentation and to respond fully to the current auditor's requests, insofar as is related to their prior audit of your District;
13. 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:
  - a. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies.
14. compliance with all applicable laws, regulations, and provisions of contracts and grant agreements;
15. for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants; and for taking timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, and contracts or grant agreements, or abuse that we report.
16. 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 District involving:
  - a. management,
  - b. employees who have significant roles in internal control, and
  - c. others where the fraud could have a material effect on the financial statements.
17. informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others.
18. for confirming to us, in the 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.
19. you will be required to acknowledge in the management representation letter that the tax services provided, assistance with the preparation of the financial statements and related notes and that you have evaluated the adequacy of our services and have reviewed and approved the results of the services, the financial statements, and related notes prior to their issuance and have accepted responsibility for them.
20. establishing and maintaining a process for tracking the status of audit findings and recommendations.
21. 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.



22. you are required to disclose, in the financial statements, the date through which subsequent events have been evaluated, and whether that date is the date the financial statements were issued or were available to be issued.
23. informing us of any events occurring subsequent to the date of the Financial Statements, or facts discovered subsequent to the date of the of the Financial Statements, that management may become aware of that may affect the financial statements.
24. you agree that you will not date the subsequent event note earlier than the date of the management representation letter.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

We will schedule the engagement based in part on the availability of your key personnel, deadlines, and working conditions. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If for whatever reason your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we must do to complete the engagement within the established deadlines, resulting in an increase in fees over the original fee estimate.

The audit documentation for this engagement is the property of SC Audit & Accounting Solutions, LLC and constitutes confidential information. However, subject to applicable laws and regulations, the audit documentation and appropriate individuals will be made available, upon request and in a timely manner, to any governmental agency providing direct or indirect funding, 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 SC Audit & Accounting Solutions, LLC personnel.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by any governmental agency charged with oversight of your District.





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C. Stephen Crandall, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports authorizing another individual to sign them.

You agree not to take any action that might impair the independence of SC Audit & Accounting Solutions, LLC, as defined by [AICPA Professional Standards](#). Such actions include any offer of employment or gifts to partners, officers, employees or agents of SC Audit & Accounting Solutions, LLC. If any member of your staff would like to make an offer of employment or gift to a partner, officer, or other employee of SC Audit & Accounting Solutions, LLC, you agree that such offer or gift will be discussed with the audit partner and/or senior manager, prior to making such offer to the relevant person directly.

We expect to begin the audit in November 2023 and issue our report no later than February 25, 2024.

We estimate that our fees for these services will be \$14,000 for the year ending June 30, 2023.

The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before you incur the additional costs. The estimated fee does not include the additional time that may be required to (1) expand the scope of the audit to investigate any matters that would otherwise result in a qualified opinion, possibly allowing us to express an unqualified opinion; nor (2) to expand the scope of the audit to investigate, and potentially eliminate, findings.

Any balance due will be payable upon completion of the financial statements. If we elect to terminate our services for nonpayment, or if, for any reason, the audit is terminated by your District, or your District fails to provide us with appropriate information or documentation for the audit, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended at our current, standard, hourly rates and to reimburse us for all out-of-pocket expenditures through the date of termination.

We reserve the right to suspend or terminate our work in the event we do not receive timely payment of our fees. This suspension or termination of our work may cause you to fail to meet deadlines imposed by governments, lenders, or other third parties or may result in other adverse consequences and is a consequence which naturally follows from the non-payment of our fees.

If circumstances occur, related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by



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error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we reserve the right to take any course of action permitted by professional standards; including declining to express an opinion, issue a report, or withdraw from the engagement.

Our audit engagement ends on the delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Forest Lakes Fire District agrees to hold SC Audit & Accounting Solutions, LLC and its partners, employees, heirs, executors, personal representatives, successors, and assigns harmless from any and all claims of Forest Lakes Fire District which arise from knowing misrepresentation to SC Audit & Accounting Solutions, LLC by the management of Forest Lakes Fire District, or the intentional withholding or concealment of information from SC Audit & Accounting Solutions, LLC by the management of Forest Lakes Fire District, even where a court might hold that negligence was a factor, whether on the part of the District, it's staff, or on the part of the auditor, or its staff. Forest Lakes Fire District also agrees to indemnify SC Audit & Accounting Solutions, LLC for any and all claims made against SC Audit & Accounting Solutions, LLC by third parties which arise from any of these actions by the management of Forest Lakes Fire District, even where a court might hold that negligence was a factor.

### **Other Provisions**

This engagement letter and all work arising from this engagement are subject to the laws, rules, regulations, and decrees of the State of Arizona. In the event of litigation between your District and our firm, litigation shall be commenced and prosecuted in an appropriate court of competent jurisdiction within the State of Arizona, County of Yavapai.

Both parties agree that any dispute arising from this engagement shall be the subject of negotiation and mediation, prior to the commencement of any litigation, or the filing of any complaint by or against either party.

This engagement will not be assigned by us without the prior written consent of your District. Any changes in scope, character, or complexity of the work may be negotiated if it is mutually agreed that such changes are necessary.



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We appreciate the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.

Sincerely,

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C. Stephen Crandall, CPA  
SC Audit & Accounting Solutions, LLC

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**RESPONSE FROM MANAGEMENT:**

Approved on behalf of Forest Lakes Fire District, as duly authorized agent of this entity:

Sign: \_\_\_\_\_

Date: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

Further, Forest Lakes Fire District, hereby designates the following member of its staff, whom it believes has suitable skills, knowledge, and experience to oversee the services we provide:

Name: \_\_\_\_\_

Title: \_\_\_\_\_