



**Turlock Rural
Fire Department**

CORRESPONDENCE 3
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BOARD OF SUPERVISORS

690 West Canal Drive

Turlock, California 95380

2008 MAR 12 P 3:02

Telephone 632-3953

March 12, 2008

STANISLAUS COUNTY BOARD OF SUPERVISORS
1010 10TH STREET
MODESTO CA 95354

Re: Request to replace annual audit with five-year audit per 26909(f) Gov Code

Chairman and Board Members,

The Turlock Rural Fire Department retains the financial auditing services of Charles Strand, CPA, based in Turlock, California. Recently, Mr. Strand advised the Turlock Rural Fire Department staff that American Institute of Certified Public Accountant's Statement on Auditing Standards Number 112 requires much more complex audits for entities including Special Districts.

Mr. Strand advised the Turlock Rural Fire District that this new standard was designed for large entities but applies to smaller agencies as well. The time and intricacy of the new auditing standards will create a significantly higher annual fee to the District for the auditing services.

Mr. Strand also made the District's staff aware of section 26909(f) of the California Government Code. Section 26909(f) Gov. states, "A special district may, by unanimous request of the governing board of the special district, with unanimous approval of the board of supervisors, replace the annual audit with a biannual audit covering a two-year period or, if the district's annual budget does not exceed an amount specified by the board of supervisors, an audit covering a five-year period." Mr. Strand strongly suggested that the District explore the possibility of a five-year audit.

Reasons cited for the five-year audit request include:

- 1) The new standard was enacted to ensure fair and sound financial practices of large entities.
- 2) Mr. Strand believes that the standard will cease to apply to smaller agencies in time.
- 3) A five-year audit will significantly reduce the financial strain to the District caused by the new standard.

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On November 13, 2007, the Turlock Rural Fire District Board of Directors unanimously approved a motion adopting District resolution 07-02. This resolution memorializes the District's unanimous request to petition the Stanislaus County Board of Supervisors for a five-year audit requirement per section 26909(f) of the California Government Code. The Turlock Rural Fire District Board of Directors, therefore, formally requests that the Stanislaus County Board of Supervisors authorize the replacement of an annual audit with a five-year audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Genzoli".

Brian Genzoli
Chairman of the Board of Directors

Attachments: Turlock Rural Fire District Resolution 07-02
Minutes from November 13, 2007, Turlock Rural Fire Board Meeting
Copy of California Government Code section 26909(f)
Copy of notification letter from Charles Strand, CPA

TURLOCK RURAL FIRE PROTECTION DISTRICT

RESOLUTION NO. 2007-2

A RESOLUTION CERTIFYING THAT THE TURLOCK RURAL FIRE PROTECTION DISTRICT BOARD OF DIRECTORS UNANIMOUSLY REQUESTS THAT THE STANISLAUS COUNTY BOARD OF SUPERVISORS REPLACE THE ANNUAL AUDIT REQUIREMENT FOR THE TURLOCK RURAL FIRE PROTECTION DISTRICT WITH A BIENNIAL AUDIT OR AN AUDIT COVERING A FIVE-YEAR PERIOD AS PERMITTED PER CALIFORNIA GOVERNMENT CODE SECTION 26909(f).

The Turlock Rural Fire Protection District in the County of Stanislaus, California does resolve as follows:

WHEREAS, the Turlock Rural Fire Protection District has retained the financial auditing services of Charles Strand, CPA, for many years.

WHEREAS, Charles Strand, CPA, has made the District aware that there has been a significant change in the annual audit reporting requirements for Special Districts as outlined by the American Institute of Certified Public Accountant’s Statement on Auditing Standards Number 112.

WHEREAS, Charles Strand, CPA, advised the District that the new standard will require a much more complex annual audit for the District at a significantly increased annual cost to the District. Charles Strand, CPA, recommended that the District petition the Stanislaus County Board of Supervisors for a waiver to the annual audit requirement per section 26909(f) of the California Government Code.

NOW, THEREFORE BE IT RESOLVED that the Turlock Rural Fire Protection District requests that the Stanislaus County Board of Supervisors replace the annual audit requirement with a biennial audit or an audit covering a five-year period as allowed per section 26909(f) of the California Government Code.

The foregoing resolution was introduced as a regular meeting of the Turlock Rural Fire Protection District Board of Directors Meeting held on November 13, 2007. Board Member R Macedo moved that the resolution be adopted and was duly seconded by Board Member J. Hughes. The vote was called for and the resolution was adopted by the following votes:

AYES: Board Members; Chairman B. Genzoli	NOES:	None
R. Macedo		
J. Hughes	ABSENT:	J. Wilkey
B. Rice		

ATTEST: Steven Williams, Sec/Tr



**DISTRICT MINUTES OF THE TURLOCK RURAL FIRE
BOARD OF DIRECTORS
MEETING FOR THE MONTH OF NOVEMBER 2007**

Date: November 13, 2007
Time: 6:11 A.M.
Place: Latif's Restaurant
Purpose: Regular Monthly Meeting

Members Present: Chairman B. Genzoli, R. Macedo, J. Hughes, B. Rice, Chief Fortado and Chief Williams

Member Absent: J. Wilkey

Guests: Walt Idsinga

I. PUBLIC COMMENT: NONE

II. AGENDA ITEMS

A. MISCELLANEOUS

1. MINUTES – The minutes of the October 2007 regular meeting were approved on a motion made by J. Hughes and a second by B. Rice. The motion passed unanimously.

B. REPORT OF THE CHIEF

1. CALLS FOR THE MONTH - Chief Fortado reported that T.R.F.D. responded to a total of 34 calls in October 2007. That included 29 calls in the district and 5 mutual aid responses. TRFD received 2 mutual aid responses in October 2007.
2. STANISLAUS COUNTY RADIO FREQUENCY CHANGE - Chief Fortado reported that all fire department in Stanislaus County, with the exception of Turlock City Fire, have combined radio frequencies. Chief Fortado provided each Board member with the Frequency Sharing Policies and Procedures.
3. TRFD MOBILE RADIO COMPLIANCE - As a result of the frequency sharing program, all mobile and portable radios require reprogramming to interact with the new system. All radios have been reprogrammed with the exception of three mobile radios. The mobile radios on Engine 26, Rescue 85, and Fast Attack 53 can not be reprogrammed. Chief Fortado requested authorization to purchase three new mobile radios to replace the

mobiles that can not be reprogrammed. A motion made by R. Macedo and seconded by B. Rice authorized the purchase with unanimous approval.

4. STRIKE TEAM UPDATE – Chief Fortado reported that TRFD personnel and equipment were committed to the fires in Southern California as part of a strike team for 8 ½ days. Three TRFD firefighters were sent to the “Malibu Fire.” Those three firefighter were replaced with three other firefighters after about five days. All personnel and equipment are now safely back in the district.

C. REPORT OF THE SECRETARY

1. BILLS FOR THE MONTH – Chief Williams reported that the bills for the month of October 2007 totaled \$12, 659.21. A motion made by B. Rice and seconded by R. Macedo authorized the payment of the bills with unanimous approval.
2. YEAR TO DATE FINANCIAL – Chief Williams reported that the Year-to-Date financial standing with the county was \$224,334.51.
3. 2006 REVENUE REPORT – Chief Williams presented the Board with a spreadsheet depicting the month-by-month expense/revenue for the 2007 calendar year. The report was included in the Board Packet.
4. FINANCIAL AUDIT UPDATE – Chief Williams reported back to the Board regarding a two or five-year audit as directed in the October 2007, Board Meeting. Chief Williams presented the Board with a memorandum outlining the request, a proposed resolution (07-02), a copy of California Government Code section 26909, and a letter from the District’s accountant, Charles Strand, CPA. After some discussion, a motion made by R. Macedo and seconded by J. Hughes authorized the resolution with unanimous approval. R. Macedo will contact at least one member of the Board of Supervisors to discuss our proposal and Resolution.

D. ITEMS FOR DISCUSSION

1. CHRISTMAS DINNER FOR EMERGENCY SERVICES PERSONNEL – Chief Fortado reported that a local church has requested to use the Turlock Rural Fire Station to prepare and serve meals to on-duty emergency services personnel on Christmas Eve. The Board expressed no objections.

The Chair adjourned the regular meeting to go into closed session per 54956.9 Gov.

26909. (a) The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special purpose district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided. In each case, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

(b) Where an audit of a district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards, and a report thereof shall be filed with the Controller and with the county auditor of the county in which the district is located. The report shall be filed within 12 months of the end of the fiscal year or years under examination.

(c) Any costs incurred by the county auditor, including contracts with, or employment of, certified public accountants or public accountants, in making an audit of every special purpose district pursuant to this section shall be borne by the district and shall be a charge against any unencumbered funds of the district available for the purpose.

(d) For joint districts lying within two or more counties, the above provisions shall apply to the auditor of the county in which the treasury is located.

(e) The county controller, or ex officio county controller, shall effect this section in those counties having a county controller, or ex officio county controller.

(f) A special district may, by unanimous request of the governing board of the special district, with unanimous approval of the board of supervisors, replace the annual audit with a biennial audit covering a two-year period or, if the district's annual budget does not exceed an amount specified by the board of supervisors, an audit covering a five-year period.

Notwithstanding the foregoing provisions of this section to the contrary, districts shall be exempt from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements.

(g) A board of supervisors may substitute a financial review in accordance with definitions promulgated by the United States General Accounting Office for the audit of a special district as required by this section, provided that all of the following conditions are met:

(1) The board of supervisors is the governing board of the district.

(2) The special districts revenues and expenditures are transacted through the county's financial systems.

(3) The special district's annual revenues do not exceed one hundred thousand dollars (\$100,000).

Charles E. Strand
Certified Public Accountant

222 S. Thor St. Turlock, CA 95380 P.O. Box 1940 Turlock CA 95381
Phone (209) 667-4477 Fax (209) 667-5913

You will notice in the attached engagement letter that my fees have increased. This is mostly because recent auditing standards have caused very large increases in auditor's time and responsibility.

American Institute of Certified Public Accountant's Statement on Auditing Standards Number 112 is effective for periods (year ends) after December 15, 2006. Therefore the Standard is required for your Agency or District. The standard is required for all types of audits regardless of the size and complexity of the Local Governmental Agency. The Statement (Communication of Internal Control Related Matters identified in an Audit) requires the outside auditor to provide the Local Governmental Agency being audited with a separate letter if control deficiencies exist.

Because you have limited staff and employees, the deficiencies which exist and must be documented and then communicated to separately to management and separately to those charged with governance will be extensive. At a minimum you can expect the separate letter to contain the following deficiencies:

1. Lack of segregation of duties.
2. Financial statement prepared by auditor not by the agency.
3. Fixed asset records and related depreciation calculation not maintained by agency.
4. Lack of system of internal control.
5. Lack of documentation of internal control.
6. Many additional specific financial internal control deficiencies.

In addition the district or agency must have a designated person who has some understanding of financial statements and that person must review any adjustments made by the auditor and be able to read, understand, and approve the financial statements.

The district or agency must identify 3 persons.

1. The person designated to approve adjusting entries and financial statements.
2. The person in management who is to receive the letter of control deficiencies.
3. The person charged with governance, who will receive the letter of control deficiencies.

Charles E Strand

Charles E. Strand
Certified Public Accountant