



BUSINESS
ADVISORS
AND CPAS

September 13, 2023

Board of Fire Commissioners
Elsmere Fire District

We have audited the statutory financial statements of the Elsmere Fire District (the District) as of and for the year ended December 31, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Statutory Financial Statement Audit

As communicated in our engagement letter dated January 9, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the statutory financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States and *Government Auditing Standards*. Our audit of the statutory financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the statutory financial statements are free of material misstatement. An audit of statutory financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable, and experienced Secretary-Treasurer, and consultant who review the draft statutory financial statements prior to issuance and accept responsibility for them.

Significant Risks Identified

We have identified the following significant risk:

Management override of controls. This is considered a risk due to its impact on the District's statutory financial statements.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Elsmere Fire District is included in Note 1 to the statutory financial statements. During the year, the District changed accounting policies related to accounting and reporting of Leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. There was no significant impact on the District as a result of implementing these standards. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the statutory financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on 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 statutory financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgements. The most sensitive estimate affecting the District's statutory financial statements was the value of the investments that make-up the Service Award Program Assets included in the District's general fund.

Management's estimate of the value of the investments included in its Service Award Program Assets (the Program) is based upon quoted prices in active markets as reported to them by the Program's investment advisor and asset custodian.

We evaluated the factors and assumptions used to develop the aforementioned accounting estimates and determined that they are reasonable in relation to the basic statutory financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to statutory financial statement users. The most sensitive disclosure affecting the District's statutory financial statements relates to Length of Service Awards Program – LOSAP in Note 3.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified during our audit.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The Total Fixed Assets and Total Investment in Non-Current Governmental Assets of the (K) fund are presented in the 2022 statutory financial statements at \$7,673,960. The District hires an outside appraisal company to perform an annual fixed asset appraisal; the amount on the Annual Financial Report Update Document is \$20,742 higher than the amount certified by the appraisal company. Management has determined the variance between the statutory financial statements and the appraisal to be immaterial, both individually and in the aggregate to the statutory financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes material misstatements that we identified as a result of our audit procedures which were brought to the attention of, and corrected by, management.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 13, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Elsmere Fire District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We were engaged to report on other supplementary information, referred to in the audit opinion, which accompanies the statutory financial statements but are not required supplementary information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the statutory financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the statutory financial statements or to the statutory financial statements themselves.

We were not engaged to report on other supplementary information, referred to in the audit opinion, which accompanies the statutory financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the statutory financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Elsmere Fire District and the Board of Fire Commissioners of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mengel, Metzger, Barr & Co. LLP". The signature is written in a cursive, flowing style.

MENGEL, METZGER, BARR & CO. LLP

Elsmere Fire District
Material Audit Adjustments
For the Year Ended December 31, 2022

1 To adjust fund balance classifications

Name	Acct #	DR	CR
Unassigned Fund Balance	A917		8,856
Capital Reserve	A878		13,596
Assigned Unappropriated Fund Balance	A915		26,170
Assigned Appropriated Fund Balance	A914	13,972	
		13,972	48,622

*Note the entry does not balance due to the fund balance impact of entry #2 below increasing total fund balance

2 To adjust accrued liabilities

Name	Acct #	DR	CR
Fire, Contr Expend	A3410.4		34,650
Accrued Liabilities	A601	34,650	
		34,650	34,650