

**SMITH COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
JUNE 30, 2009**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2009**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statement of Net Assets	3
Statement of Revenues, Expenses and Changes in Fund Net Assets	4-5
Statement of Cash Flows	6
Notes to the Financial Statements	7-9
Budget and Actual	10-11
Schedule of Required Information	12
911 Board Members	13
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15
Findings & Recommendations	16

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Smith County E-911 Emergency Communications District
Carthage, Tennessee

I have audited the accompanying financial statements of the Smith County E-911 Emergency Communications District, a component unit of Smith County, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Smith County E-911 Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that I 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 disclosures 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Smith County E-911 Emergency Communications District, as of June 30, 2009, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* I have also issued my report dated January 14, 2010 on my consideration of the Smith County E-911 Emergency Communications District's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

GASB Statement No. 34 provides guidance on Management's Discussion and Analysis, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude this information.

My audit was performed for the purpose of forming an opinion on the financial statements of Smith County E-911 Emergency Communications District, taken as a whole. The accompanying supplementary financial information is presented for the purposes of additional analysis and is not a required part of the financial statements of Smith County E-911 Emergency Communications District. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 14, 2010
Cookeville, Tennessee

Jamara L. Beckman CPA

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 89,681.83
Certificate of Deposit	30,000.00
Accounts Receivable	10,625.04
Due from State ECB	133,848.61
Prepaid Expenses	<u>942.48</u>

Total Current Assets \$ 265,097.96

Non-Current Assets

Communications Equipment	306,463.07
Less: A/D-Communications Equipment	(201,078.00)
Office Equipment	41,019.69
Less: A/D-Office Equipment	(31,972.52)
Vehicles	28,814.00
Less: A/D-Vehicle	(13,446.53)
Construction in Progress	<u>237,852.00</u>

Total Non-Current Assets 367,651.71

Total Assets 632,749.67

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	<u>11,290.24</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	363,709.17
Unrestricted Net Assets	<u>257,750.26</u>

Total Net Assets \$ 621,459.43

The Accompanying notes are in integral part of the financial statements

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Operating Revenues

Emergency Telephone Service Charges	\$ 76,047.51	
State – Shared Wireless Charges	46,097.33	
State – Operational Funding Program	<u>86,168.76</u>	
Total Operating Revenue		\$ 208,313.60

Operating Expense

Contracted Services

Addressing & Mapping	14,679.00	
Contracts with Gov. Agencies	69,600.00	
Fees Paid to Service Providers	33,702.50	
Maintenance Agreements	3,174.76	
Lease/Rental-Communications Equipment	1,650.00	
M&R-Communications Equipment	9,906.84	
M&R-Building & Improvements	1,690.80	
M&R-Vehicles	<u>150.00</u>	
Total Contracted Services		\$ 134,553.90

Supplies & Materials

Office Supplies	1,452.50	
Postage	27.80	
Small Equipment Purchases	3,117.07	
Utilities-Gas	1,488.00	
Utilities-General Telephone	5,676.15	
Utilities-Cell Phones & Pagers	<u>1,652.88</u>	
Total Supplies & Materials		13,414.40

Other Charges

Bank Charges	2.52
Dues & Memberships	552.00

The Accompanying notes are in integral part of the financial statements

SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS, CONT'D
FOR THE YEAR ENDED JUNE 30, 2009

Insurance-Liability	5,633.85	
Legal Notices	433.00	
Premiums on Surety Bonds	240.00	
Training Expenses	2,012.00	
Travel Expenses	<u>536.75</u>	
Total Other Charges		9,410.12
Depreciation		<u>41,459.35</u>
Total Operating Expense		<u>198,837.77</u>
Net Operating Income		9,475.83
<u>Non-Operating Revenue & Expense</u>		
Interest Income	2,175.72	
State-Grants & Reimbursements	209,611.22	
UCEMC Contract	5,462.50	
Other Income	<u>420.00</u>	
Total Non-Operating Revenue & Expense		<u>217,669.44</u>
Decrease in Net Assets		227,145.27
Total Net Assets, July 1, 2008		<u>394,314.16</u>
Total Net Assets, June 30, 2009		<u>\$ 621,459.43</u>

The Accompanying notes are in integral part of the financial statements

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Cash Flows From Operating Activities</u>		
Cash Received from Operations	\$ 82,140.86	
Cash Payments for Goods and Services	<u>(147,341.16)</u>	
Net Cash Provided by Operating Activities		\$ (65,200.30)
 <u>Cash Flows from Non-Capital Financing Activities</u>		
UCEMC Contract	5,462.50	
State-Grants & Reimbursements	209,611.22	
Other Income	<u>420.00</u>	
Net Cash Provided by Non-Capital Financing Activities		\$ 215,493.72
 <u>Cash Flows from Capital & Related Financing Activities</u>		
Acquisitions of New Assets	(27,680.42)	
Construction In Progress	<u>(237,852.00)</u>	
Net Cash Used by Capital & Related Financing Activities		(265,532.42)
 <u>Cash Flows from Investing Activities</u>		
Interest Received on CDs & Money Market		<u>2,175.72</u>
Net Decrease in Cash and Cash Equivalents		(113,063.28)
Cash and Cash Equivalent at June 30, 2008		<u>202,745.11</u>
Cash and Cash Equivalent at June 30, 2009		<u>\$ 89,681.83</u>
 <u>Reconcilement of Operating Income to Net Cash</u>		
<u> Provided by Operating Activities</u>		
Net Operating Income	\$ 9,475.83	
Depreciation	41,459.35	
Decrease in Accounts Receivable	548.29	
Increase in Due from State ECB	(126,721.03)	
Decrease in Prepaid Expense	525.13	
Increase in Accounts Payable	<u>9,512.13</u>	
Net Cash Provided by Operating Activities		<u>\$ (65,200.30)</u>

The Accompanying notes are in integral part of the financial statements

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 – Summary of Significant Accounting Policies

The Smith County E-911 Emergency Communication District was established for the purpose of providing an enhanced level of 911 service to the Smith County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Smith County. The Smith County E-911 Emergency Communications District is run by a board of directors, which is appointed by Smith County. The District must file a budget with Smith County each year. Any bond issued by the district is subject to approval by Smith County.

The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

Depreciation – Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. Depreciation begins when the fixed assets are placed in service. Depreciation is summarized as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>	<u>2009 Depreciation</u>
Communications Equipment	S/L	5-12 Years	\$29,775.66
Office Equipment	S/L	5-15 Years	5,920.89
Vehicle	S/L	5-10 Years	<u>5,762.80</u>
			<u>\$41,459.35</u>

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. Non-operating revenue consists of interest income, a contract with UC EMC to answer after hour phone calls, and Insurance Reimbursements.

Note 2 – Cash and cash investments

The following is a schedule of bank accounts at June 30, 2009:

Checking – Citizens Bank	\$ 50,159.20
Money Market – Citizens Bank	39,522.63
Certificate of Deposit – Citizens Bank	<u>30,000.00</u>
Total	<u>\$119,681.83</u>

At June 30, 2009, the carrying amount of the Smith County E – 911 Emergency Communications District’s cash deposits was \$119,681.83. The District’s deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts over \$250,000 are covered under the State of Tennessee Government Collateralization Pool of which Citizens Bank is a member. The District is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Note 3 – Bonding

Smith County E-911 Emergency Communications District has a bond covering certain members of the board at June 30, 2009. The District also has a general liability policy which covers building and contents. There have been no losses or settlements that have exceeded coverage during the past three years.

Note 4 – Fixed Assets

The following is a schedule of equipment at June 30, 2009:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
<u>Non-Depreciable</u>			
Construction in Progress	<u>\$237,852.00</u>	\$ --	<u>\$237,852.00</u>
<u>Depreciable</u>			
Comm. Equipment	\$306,463.07	\$201,078.00	\$105,385.07
Office Equipment	41,019.69	31,972.52	9,047.17
Vehicle	<u>28,814.00</u>	<u>13,446.53</u>	<u>15,367.47</u>
Total Depreciable	<u>376,296.76</u>	<u>246,497.05</u>	<u>129,799.71</u>
Total Assets	<u>\$614,148.76</u>	<u>\$246,497.05</u>	<u>\$367,651.71</u>

<u>Assets</u>	<u>Balance 6-30-08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-09</u>
<u>Non-Depreciable</u>				
Construction in Progress	\$ --	\$237,852.00	\$ --	<u>\$237,852.00</u>
<u>Depreciable</u>				
Comm. Equipment	\$284,924.19	\$ 21,538.88	\$ --	\$306,463.07
Office Equipment	34,878.15	6,141.54	--	41,019.69
Vehicle	<u>28,814.00</u>	<u>--</u>	<u>--</u>	<u>28,814.00</u>
Total Depreciable	<u>348,616.34</u>	<u>27,680.42</u>	<u>--</u>	<u>376,296.76</u>
Total Assets	<u>\$348,616.34</u>	<u>\$265,532.42</u>	<u>\$ --</u>	<u>\$614,148.76</u>

Note 5 – Cash and cash equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

Note 6 – Accounts Receivable/Due from State Emergency Communications Board

The amounts due to the District from the subscriber services and wireless charges include the following:

North Central Telephone Co-op	\$ 2,034.06
UCEMC Contract	5,462.50
AT&T Telephone Co-op	<u>3,128.48</u>
Subtotal	10,625.04
State Emergency Comm. Board	<u>133,848.61</u>
Total	<u>\$144,473.65</u>

Note 7 – Compensated Absences

There were no employees at June 30, 2009.

Note 8 – Invested in Capital Assets, Net of Related Debt

Total Non-current Assets	\$367,651.71
Equipment purchase in A/P	< <u>3,942.54</u> >
Invested in Capital Assets, Net of Related Debt	<u>\$363,709.17</u>

Note 9 – Budgetary Information

As stated in Note 1, the District must file a budget with Smith County each year which must be legally adopted by the County. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted is required at the program level as well as the object level.

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL
JUNE 30, 2009**

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance Under (Over)
<u>Operating Revenue</u>			
Emergency Telephone Service Charges	\$ 76,047.51	\$ 76,571.00	\$ 523.49
State-Shared Wireless Charges	46,097.33	36,357.00	(9,740.33)
State-Operational Funding Program	86,168.76	71,807.00	(14,361.76)
<u>Total Operating Revenue</u>	<u>208,313.60</u>	<u>184,735.00</u>	<u>(23,578.60)</u>
<u>Operating Expenses</u>			
<u>Contracted Services</u>			
Addressing & Mapping Expense	14,679.00	16,505.00	1,826.00
Contracts with Government Agencies	69,600.00	69,600.00	-
Fees Paid to Service Providers	33,702.50	33,702.50	-
Maintenance Agreements	3,174.76	8,588.00	5,413.24
Lease/Rental-Communications Equipment	1,650.00	152,902.00	151,252.00
M&R-Communications Equipment	9,906.84	10,000.00	93.16
M&R-Building & Improvements	1,690.80	96,831.00	95,140.20
M&R-Vehicle	150.00	454.00	304.00
<u>Total Contracted Services</u>	<u>134,553.90</u>	<u>388,582.50</u>	<u>254,028.60</u>
<u>Supplies & Materials</u>			
Office Supplies	1,452.50	3,667.00	2,214.50
Postage	27.80	28.00	0.20
Small Equipment Purchases	3,117.07	3,689.00	571.93
Utilities-Gas	1,488.00	1,471.00	(17.00)
Utilities-General Telephone	5,676.15	3,865.50	(1,810.65)
Utilities-Cell Phones & Pagers	1,652.88	1,653.00	0.12
<u>Total Supplies & Materials</u>	<u>13,414.40</u>	<u>14,373.50</u>	<u>959.10</u>
<u>Other Charges</u>			
Bank Charges	2.52	3.00	0.48
Dues & Memberships	552.00	552.00	-
Insurance-Liability	5,633.85	5,823.00	189.15
Legal Notices	433.00	450.00	17.00
Premiums on Surety Bonds	240.00	583.00	343.00
Training Expenses	2,012.00	2,012.00	-
Travel Expense	536.75	497.00	(39.75)
<u>Total Other Charges</u>	<u>9,410.12</u>	<u>9,920.00</u>	<u>509.88</u>

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL-CONT'D
JUNE 30, 2009**

<u>Depreciation</u>	41,459.35	35,000.00	(6,459.35)
<u>Total Operating Expenses</u>	198,837.77	447,876.00	249,038.23
<u>Operating Income (Loss)</u>	9,475.83	(263,141.00)	(272,616.83)
<u>Non-Operating Revenue</u>			
Interest Income	2,175.72	2,010.00	(165.72)
State-Grants & Reimbursements	209,611.22	209,000.00	(611.22)
UCEMC Contract	5,462.50	5,487.00	24.50
Other Income	420.00	420.00	-
<u>Total Non-Operating Revenue</u>	217,669.44	216,917.00	(752.44)
Increase (Decrease) in Net Assets	227,145.27	(46,224.00)	(273,369.27)
Net Assets-Beginning of Period	394,314.16	394,314.16	394,314.16
Net Assets-End of Period	\$ 621,459.43	\$ 348,090.16	\$ 120,944.89

**SMITH COUNTY E-911
EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE
EMERGENCY COMMUNICATION BOARD
JUNE 30, 2009**

Number of public
safety answering points: 1

Address: 515 Jefferson Ave. E.
Carthage, TN 37030

Type of System/Equipment: Motorola

Type of Database: Motorola

Director: Ricky Slack
101 Plunkett Creek Rd.
Gordonsville, TN 38563
Phone: (615) 735-9253
smithcountyems@smithcounty.com

Chairman: Jacky E. Carver, Sr.
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Carthage, TN 37030
Phone: (615) 735-2118
Fax: (615) 735-3100
jackycar@bellsouth.net

**SMITH COUNTY E – 911
EMERGENCY COMMUNICATIONS DISTRICT
911 BOARD MEMBERS
JUNE 30, 2009**

Jack Carver, Sr., Chairman
901 Main Street N.
Carthage, TN 37030-1002
(615) 735-2118
jackycar@bellsouth.net

Jamie Hudson, Treasurer
165 Martin Hollow Rd.
Pleasant Shade, TN 37145
(615) 735-1490 or (615) 774-3372
jhudson@citizens-bank.net

Charles D. Miller, Board Member
20 Riverbend Lane
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(615) 735-0434 or (615) 735-7684
chuckd_36@hotmail.com

Phillip Upchurch, Board Member
327 Riverside Drive N.
Carthage, TN 37030
(615) 735-0986 or (615) 735-1680
smithcountyhardware@mydoitbest.com

Glenn Allen Pettross, Board Member
126 Mercedes Ave.
Carthage, TN 37030
(615) 735-9686
No E-Mail Address Available

William Trusty, Board Member

No E-Mail Address Available

Debra White, Secretary
939 Cookeville Hwy.
Chestnut Mound, TN 38552
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No E-Mail Address Available

Ricky Slack, Director
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Smith County E-911 Emergency Communications District
Carthage, Tennessee

I have audited the financial statements of Smith County Emergency Communications District as of and for the year ended June 30, 2009, and have issued my report thereon dated January 14, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Smith County Emergency Communications District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Smith County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Smith County Emergency Communications District's internal control over financial reporting.

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

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 combination of control deficiencies, that adversely affects Smith County Emergency Communications District'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 Smith County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by Smith County Emergency Communications District's internal control. I consider the deficiencies described in the accompanying schedule of findings and recommendations as items 09-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Smith County Emergency Communications District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smith County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 09-1.

Smith County Emergency Communications District's response to the findings identified in my audit is described in the accompanying schedule of findings and recommendations. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended for the information of the management and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report which is a matter of public record.

January 14, 2010
Cookeville, Tennessee

Jamara R. Beckman, CPA

**SMITH COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2009**

Findings 09-1 has been brought to management's attention in the last several years' reports.

Finding 09-1

Some expense items exceeded the adopted budget amounts. The District's board failed to adopt a budget that addresses all expenses of the District. The continued inaction of the District to correct this deficiency not only indicates a significant deficiency in internal control and compliance, but could reflect on the integrity of management. This is in violation of the Tennessee Code Annotated, Title 7, Section 86, Chapter 120.

Recommendation

The board should adopt a budget that covers all expenses of the District and should amend the budget items as needed. Findings should be addressed and corrected in a timely manner.

Management comment

Budget amendments are presented to the board at each meeting. Greater care will be taken to update the financial software to show the amended budget.

Auditor's Response

The minutes provided by the District for the current fiscal year were reviewed and no amendments were noted.