

OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2013



**BEAN, RHOTON & KELLEY, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

300 S. Jefferson Street, Winchester, TN 37398

931.967.0611

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**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
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June 30, 2013**

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**INTRODUCTORY SECTION - UNAUDITED**

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
INTRODUCTORY SECTION - UNAUDITED  
June 30, 2013**

ROSTER OF BOARD MEMBERS

Stanley Carter, Jr.  
372 Booher Lane  
Monroe, TN 38573  
Work: (931) 243-4552  
Cell: (931) 397-7933

Rocky Dial - Vice Chairman  
928 College St.  
Livingston, TN 3857  
Cell: (931) 397-6440  
Cell: (931) 239-1714

Garry Garrett  
5086 Old KY Rd.  
Byrdstown, TN 38549  
Cell: (931) 267-7108

Buster Harmon  
324 Harmon Farm Rd.  
Pall Mall, TN 38577  
Work: (931) 864-3859  
Cell: (931) 319-9372

Carlos Wilson - Treasurer  
714 Rickman Rd.  
Livingston, TN 38570  
Cell: (931) 239-4694

Keith Ledford  
223 Black Hollow Lane  
Alpine, TN 38543  
Cell: (931) 823-8727

Ralph Robbins  
827 Apple Drive  
Livingston, TN 38570  
Cell: (931) 510-4377  
Work: (931) 823-5525

Ben Danner, Chairman  
114 Danner Lane  
Livingston, TN 38570  
Work: (931) 823-0711  
Cell: (931) 644-5874

Dr. Matthew Gaspar - Secretary  
246 East Howard Rd.  
Livingston, TN 38570  
Work: (931) 403-1710  
Cell: (931) 397-6170

Darrell Hoover  
1970 Hanging Limb Hwy.  
Crawford, TN 38544  
Cell: (931) 445-4100

Randall Boswell  
620 Curtis Norrod Rd.  
Rickman, TN 38580  
Home: (931) 455-7004  
Cell: (931) 445-5850

Tony Beaty  
2028 Reeder Town Rd.  
Byrdstown, TN 38549  
Home: (931) 864-8452  
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Certified Public Accountants,  
Tennessee Society of CPA's,  
Association of Government Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Overton/Pickett County E-911 Emergency Communications District  
Livingston, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Overton/Pickett County E-911 Emergency Communications District, a component unit of Overton County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Overton/Pickett County E-911 Emergency Communications District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basis financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 13 be presented to supplement the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

### ***Other Information***

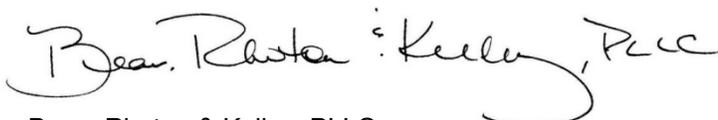
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Overton/Pickett County E-911 Emergency Communications District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the Overton/Pickett County E-911 Emergency Communications District's internal control over financial reporting and on our tests 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Overton/Pickett County E-911 Emergency Communications District's internal control over financial reporting and compliance.



Bean, Rhoton & Kelley, PLLC  
November 5, 2013

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 100,234.51
Certificate of deposit	117,152.55
Accounts receivable	6,342.25
Due from state ECB	96,828.35
Interest receivable	2,720.92
Total current assets	<u>323,278.58</u>

Noncurrent assets:

Land	90,550.27
Construction in progress	54,907.27
Property, plant & equipment, net of accumulated depreciation	737,913.87
Total noncurrent assets	<u>883,371.41</u>

Total assets	<u>\$ 1,206,649.99</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	\$ 28,018.52
Accrued payroll	11,672.59
Payroll tax payable	451.54
Payroll deductions payable	319.67
Compensated absences payable	8,718.91
Total current liabilities	<u>49,181.23</u>

Total liabilities	<u>\$ 49,181.23</u>
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**NET POSITION**

Net investment in capital assets	\$ 883,371.41
Unrestricted	274,097.35
Total net position	<u>\$ 1,157,468.76</u>

The accompanying notes are an integral part of this statement.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
June 30, 2013**

**OPERATING REVENUES**

Emergency telephone service charges		\$	233,273.45	
State - Shared wireless charges			66,755.81	
State - Operational funding program			330,665.00	
Electrical permits			43,363.78	
Dispatching - UCCEMC Emergency Calls			5,752.00	
Total operating revenues			<u>5,752.00</u>	\$ 679,810.04

**OPERATING EXPENSES**

Salaries and wages				
Director	\$	55,698.22		
Dispatcher/personnel		<u>389,824.13</u>		
Total salaries & wages				445,522.35
Employee benefits				
Social security		26,883.91		
Medicare		6,291.93		
Medical/life/dental insurance		96,478.86		
Unemployment compensation		1,335.73		
Retirement contributions		<u>19,234.89</u>		
Total employee benefits				150,225.32
Contracted services				
Addressing and mapping		15,854.51		
Fees paid to service providers		39,289.27		
Advertising		1,620.60		
Other services		10,029.00		
Maintenance agreements		22,456.95		
Pest control		450.00		
Lease/rental				
Office equipment		720.00		
Online software		46,500.00		
Maintenance/repairs				
Communications equipment		9,259.74		
Building and facilities		6,919.82		
Office equipment		674.14		
Vehicles		<u>3,400.75</u>		
Total contracted services				157,174.78
Supplies and materials				
Office supplies		6,548.26		
Custodial supplies		10,928.39		
Postage		448.85		
Small equipment purchase		1,180.17		
Uniforms and shirts		2,232.83		

(continued)

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (continued)  
June 30, 2013**

Supplies and materials (continued)		
<u>Utilities</u>		
Electricity	17,145.44	
Gas	748.42	
Water and sewer	1,147.02	
General telephone	0.00	
Cell phone	7,272.57	
Cable TV	839.80	
Internet	583.29	
Total supplies and materials		49,075.04
Other charges		
Board meeting expenses	4,551.49	
Dues and memberships	6,750.53	
Employee testing	122.00	
<u>Insurance</u>		
Liability	14,846.00	
Worker's compensation	3,461.00	
Vehicle	2,558.00	
Licenses and fees	2,515.60	
Premiums on surety bonds	1,588.00	
Public education	5,584.57	
Service awards	991.51	
Training expenses	11,801.76	
Electrical permits	36,621.00	
Other	9,523.70	
Total other charges		100,915.16
Depreciation		152,591.74
Total operating expense		1,055,504.39
Operating loss		(375,694.35)
NON-OPERATING REVENUES AND EXPENSES		
Tennessee Emergency Communications Board - grants and reimbursements	69,019.58	
Interest income	3,072.04	
Contributions from other governments and agencies	232,551.23	
Miscellaneous revenues	6,817.15	
Loss on disposal of equipment	(101.01)	
Interest expense	(1.43)	
Total non-operating revenues and expenses		311,357.56
CAPITAL CONTRIBUTIONS		
Capital contributions from Tennessee Emergency Communications Board	386,407.71	
Total capital contributions		386,407.71
Change in net position		322,070.92
Total net position - beginning, as originally reported		782,435.63
Restatement - See Note 9		52,962.21
Total net position - beginning, as restated		835,397.84
Total net position - ending		\$ 1,157,468.76

The accompanying notes are an integral part of this statement.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 680,460.65	
Paid to/for employees for services	(584,132.55)	
Payments for good and services	<u>(295,325.84)</u>	
Net cash (used) by operating activities		\$ (198,997.74)

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Purchase of equipment	(432,291.52)	
Contributions from Tennessee Emergency Communications Board	354,309.96	
Miscellaneous revenues/(expenses)	<u>6,817.15</u>	
Net cash (used) by capital and related financing activities		(71,164.41)

**CASH FLOWS FROM NON-CAPITAL FINANCING  
ACTIVITIES**

Tennessee Emergency Communications Board - grants and reimbursements	58,319.58	
Contributions from other governments and agencies	232,551.23	
Interest expense	<u>(1.43)</u>	
Net cash provided by non-capital financing activities		290,869.38

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	2,926.21	
Invested in long term cash	<u>(2,805.19)</u>	
Net cash provided by investing activities		<u>121.02</u>

Net increase in cash and cash equivalents		20,828.25
Balances - beginning of the year		<u>79,406.26</u>
Balances - end of the year		<u>\$ 100,234.51</u>

**RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (375,694.35)	
Depreciation	152,591.74	
Change in assets and liabilities:		
Accounts receivable, net	650.61	
Accounts payable	20,422.26	
Prepaid expenses	<u>3,032.00</u>	
Net cash used by operating activities		<u>\$ (198,997.74)</u>

The accompanying notes are an integral part of this statement.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1 – ORGANIZATION**

The Overton/Pickett County E-911 Emergency Communications District was established as a result of a merger between the Overton County Emergency Communications District and the Pickett County Emergency Communications District. The merger agreement was signed on January 22, 2002, for the purpose of improving the response of emergency services in Overton County and Pickett County, and to provide an enhanced 911 service for Overton and Pickett County citizens by acquiring equipment that enables emergency service providers to respond more rapidly and effectively due to increased speed in the transmission of critical information and improved reliability of address information.

The Overton/Pickett County E-911 Emergency Communications District is a component unit of Overton County, the commissioners of which appoint the nine members of the Board. The remaining four are appointed by the Pickett County Commission. The District must file a budget with Overton County each year. Any bond issued by the District is subject to approval by Overton County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The Overton/Pickett county E-911 Emergency Communications District presents its financial statements on the accrual basis and according to Governmental Accounting Standards Board (GASB) Statement No. 20, follows pronouncements of the Financial Accounting Standards (FASB) issued before November 30, 1989 unless they conflict with or contradict GASB guidance. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date.

Fixed Assets

Fixed assets are depreciated over their useful lives using the straight-line method over the following useful lives:

Building, Land & Building Improvements	10, 20 or 40 Years
Furniture & Fixtures	5, 7 Years
Equipment & Vehicles	3, 5, 7, or 10 Years

**NOTE 3 – CASH AND INVESTMENTS**

Cash Deposits

The District is authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

- (1) Bonds, notes, treasury bills, or similar types of indebtedness to the United States.
- (2) Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- (3) Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.
- (4) Repurchase agreements, which involve obligations of the United States or its agencies, provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- (5) Money market funds invested in any of the aforementioned securities.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS (continued)**

The District's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name. The carrying amount of total cash deposits for the year ended June 30, 2013, was \$217,387.06. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$217,387.06. Of this amount, \$100,234.51 was cash and cash equivalents and the remaining \$117,152.55 was held in certificates of deposits with original maturities greater than three months.

**NOTE 4 – RISK MANAGEMENT**

The Overton/Pickett County E-911 Emergency Communication District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance for all claims and for all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

**NOTE 5 – FIXED ASSETS**

The following is a schedule of fixed assets and depreciation at June 30, 2013:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Non-depreciable assets:				
Land	\$ 19,625.00	\$ 70,925.27	\$ 0.00	\$ 90,550.27
Construction in progress	<u>0.00</u>	<u>54,907.27</u>	<u>0.00</u>	<u>54,907.27</u>
Total non-depreciable assets	<u>19,625.00</u>	<u>125,832.54</u>	<u>0.00</u>	<u>145,457.54</u>
Depreciable assets:				
Land improvements	27,935.34	6,100.00	0.00	34,035.34
Building/Improvements	304,920.50	47,306.47	(208.94)	352,018.03
Furniture and fixtures	78,205.92	6,039.54	(3,365.90)	80,879.56
Office equipment	177,798.31	40,810.71	(6,115.00)	212,494.02
Communication equipment	570,474.37	163,752.42	(43,372.23)	690,854.56
Vehicles	<u>70,229.00</u>	<u>42,449.84</u>	<u>0.00</u>	<u>112,678.84</u>
Total depreciable assets	<u>1,229,563.44</u>	<u>306,458.98</u>	<u>(53,062.07)</u>	<u>1,482,960.35</u>
Less accumulated depreciation for:				
Land improvements	(7,624.45)	(1,575.00)	0.00	(9,199.45)
Building/Improvements	(138,054.09)	(18,479.81)	107.93	(156,425.97)
Furniture and fixtures	(63,622.21)	(4,112.45)	3,365.90	(64,368.76)
Office equipment	(142,230.33)	(14,932.00)	6,115.00	(151,047.33)
Communication equipment	(253,998.55)	(96,599.65)	43,372.23	(307,225.97)
Vehicles	<u>(39,886.17)</u>	<u>(16,892.83)</u>	<u>0.00</u>	<u>(56,779.00)</u>
Total accumulated depreciation	<u>(645,415.80)</u>	<u>(152,591.74)</u>	<u>52,961.06</u>	<u>(745,046.48)</u>
Depreciable assets, net	<u>584,147.64</u>	<u>153,867.24</u>	<u>(101.01)</u>	<u>737,913.87</u>
Net assets	<u>\$ 603,772.64</u>	<u>\$ 279,699.78</u>	<u>\$ (101.01)</u>	<u>\$ 883,371.41</u>

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 6 – 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 7 – COMPENSATED ABSENCES**

Compensated absences are calculated for full-time employees for annual and sick leave. However, the sick leave does not vest; therefore, no liability has been recorded for sick leave. As of June 30, 2013, the District had a liability of \$8,718.91 for accrued absences.

**NOTE 8 – FUNDING SOURCES**

Monthly fees provide funds for operations from service users in Overton and Pickett Counties. The service suppliers in Overton and Pickett Counties, Twin Lakes Telephone Cooperative, along with other smaller phone companies, collect the service fees and remits the funds to the District. The service supplier retains three percent of collections as an administration fee. The State of Tennessee remits to the District its share of wireless revenue.

**NOTE 9 – RESTATEMENT**

During 2013, certain matters were noted which required restatement of the prior year. The District's net assets were restated to correctly account for adjustments to accounts receivable and accounts payable, which pertained to prior fiscal years.

The following summarizes the aforementioned adjustment to net assets at July 1, 2012:

Net assets - beginning of year, as previously reported	\$ 782,435.63
Accounts receivable	<u>52,962.21</u>
Net assets - beginning of year as restated	<u>\$ 835,397.84</u>

**NOTE 10 – BUDGETARY INFORMATION**

As stated in Note 1, the District must file a budget with Overton 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 budget is required at the program level as well as the object level. Budgetary control is exercised at the line-item level.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

NOTE 11– PENSION PLAN

Plan Description

Employees of Overton/Pickett County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), and agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 year of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Overton/Pickett County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Overton/Pickett County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Overton/Pickett County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 5.20% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Overton/Pickett County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013, Overton/Pickett County Emergency Communications District's annual pension cost of \$19,235 to TCRS was equal to Overton/Pickett County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the calculation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Overton/Pickett County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

NOTE 11– PENSION PLAN (continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 19,235	100.00%	\$ 0.00
June 30, 2012	\$ 18,653	100.00%	\$ 0.00
June 30, 2011	\$ 19,853	100.00%	\$ 0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 80.83 percent funded. The actuarial accrued liability for benefits was \$0.41 million, and the actuarial value of assets was \$0.33 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.08 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.37 million, and the ratio of the UAAL to the covered payroll was 21.21 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$330	\$409	\$78	80.83%	\$369	21.21%

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**

**OVERTON/PICKETT COUNTY E-911  
 EMERGENCY COMMUNICATION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
 June 30, 2013**

**SCHEDULE OF FUNDING PROGRESS FOR OVERTON/PICKETT COUNTY EMERGENCY  
 COMMUNICATIONS DISTRICT**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$330	\$409	\$78	80.83%	\$369	21.21%
July 1, 2009	\$181	\$194	\$13	93.44%	\$328	3.88%
July 1, 2007	\$117	\$131	\$14	89.31%	\$350	4.00%

See Accompanying Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
<b>Operating Revenues</b>				
Emergency telephone service charges	\$ 240,000.00	\$ 233,000.00	\$ 233,273.45	\$ 273.45
State - Shared wireless charges	79,659.00	75,259.00	66,755.81	(8,503.19)
State - Operational funding program	325,430.00	360,630.00	330,665.00	(29,965.00)
Electrical permits	30,000.00	43,300.00	43,363.78	63.78
Dispatching - UCEMC Emergency Calls	0.00	0.00	5,752.00	5,752.00
<b>Total operating revenues</b>	<b>675,089.00</b>	<b>712,189.00</b>	<b>679,810.04</b>	<b>(32,378.96)</b>
<b>Operating Expenses</b>				
<b>Salaries and wages</b>				
Director	53,693.00	54,993.00	55,698.22	(705.22)
Dispatchers/personnel	346,006.00	396,006.00	389,824.13	6,181.87
<b>Total salaries and wages</b>	<b>399,699.00</b>	<b>450,999.00</b>	<b>445,522.35</b>	<b>5,476.65</b>
<b>Employee benefits</b>				
Social security	24,000.00	27,800.00	26,883.91	916.09
Medicare	5,800.00	6,900.00	6,291.93	608.07
Medical/life/dental insurance	83,100.00	99,100.00	96,478.86	2,621.14
Unemployment compensation	1,700.00	1,900.00	1,335.73	564.27
Retirement contributions	19,200.00	20,200.00	19,234.89	965.11
<b>Total employee benefits</b>	<b>133,800.00</b>	<b>155,900.00</b>	<b>150,225.32</b>	<b>5,674.68</b>
<b>Contracted services</b>				
Subscription - reverse 911 system	0.00	0.00	0.00	0.00
Addressing and mapping	6,000.00	17,000.00	15,854.51	1,145.49
Fees paid to service providers	42,500.00	40,500.00	39,289.27	1,210.73
Advertising	1,200.00	2,400.00	1,620.60	779.40
Other services	11,800.00	11,800.00	10,029.00	1,771.00
Maintenance agreements	2,500.00	24,500.00	22,456.95	2,043.05
Pest control	750.00	750.00	450.00	300.00
<b>Lease/rental</b>				
Office equipment	500.00	1,000.00	720.00	280.00
Online software	3,700.00	7,200.00	46,500.00	(39,300.00)
<b>Maintenance/repairs</b>				
Communications equipment	5,100.00	11,100.00	9,259.74	1,840.26
Building and facilities	2,500.00	8,500.00	6,919.82	1,580.18
Office equipment	500.00	1,500.00	674.14	825.86
Vehicles	2,000.00	4,500.00	3,400.75	1,099.25
<b>Total contracted services</b>	<b>79,050.00</b>	<b>130,750.00</b>	<b>157,174.78</b>	<b>(26,424.78)</b>
<b>Supplies and materials</b>				
Office supplies	5,000.00	7,700.00	6,548.26	1,151.74
Custodial supplies	8,000.00	12,500.00	10,928.39	1,571.61
Postage	700.00	700.00	448.85	251.15
Small equipment purchase	1,200.00	1,700.00	1,180.17	519.83
Uniforms and shirts	2,500.00	2,700.00	2,232.83	467.17
<b>Utilities</b>				
Electricity	19,000.00	19,000.00	17,145.44	1,854.56
Gas	1,200.00	1,300.00	748.42	551.58
Water and sewer	1,300.00	1,800.00	1,147.02	652.98

(continued)

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
BUDGET AND ACTUAL (continued)  
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Supplies and materials (continued)				
Cell phones	7,200.00	7,900.00	7,272.57	627.43
Cable TV	1,000.00	1,300.00	839.80	460.20
Internet	225.00	1,025.00	583.29	441.71
Total supplies and material	<u>47,325.00</u>	<u>57,625.00</u>	<u>49,075.04</u>	<u>8,549.96</u>
Other charges				
Board meeting expenses	3,000.00	5,500.00	4,551.49	948.51
Dues and memberships	3,000.00	8,000.00	6,750.53	1,249.47
Employee testing	1,500.00	1,500.00	122.00	1,378.00
<u>Insurance</u>				
Liability	13,700.00	15,200.00	14,846.00	354.00
Worker's compensation	4,400.00	4,400.00	3,461.00	939.00
Vehicle	0.00	0.00	2,558.00	(2,558.00)
Licenses and fees	2,300.00	3,000.00	2,515.60	484.40
Premiums on surety bonds	1,200.00	1,800.00	1,588.00	212.00
Public education	5,500.00	6,000.00	5,584.57	415.43
Service awards	1,200.00	1,450.00	991.51	458.49
Training expenses	2,500.00	13,500.00	11,801.76	1,698.24
Travel expenses	5,000.00	11,300.00	9,523.70	1,776.30
Electrical permits	28,000.00	37,500.00	36,621.00	879.00
Total other charges	<u>71,300.00</u>	<u>109,150.00</u>	<u>100,915.16</u>	<u>8,234.84</u>
Depreciation	104,960.00	124,960.00	152,591.74	(27,631.74)
Total Operating Expenses	<u>836,134.00</u>	<u>1,029,384.00</u>	<u>1,055,504.39</u>	<u>(26,120.39)</u>
Operating Income/(loss)	<u>(161,045.00)</u>	<u>(317,195.00)</u>	<u>(375,694.35)</u>	<u>(58,499.35)</u>
Non-Operating Revenues (and expenses)				
Contributions from TECB	0.00	411,300.00	69,019.58	(342,280.42)
Interest income	2,000.00	2,900.00	3,072.04	172.04
Insurance reimbursement	0.00	800.00	0.00	(800.00)
Contributions from other govts	153,000.00	162,400.00	232,551.23	70,151.23
Miscellaneous revenues	500.00	5,900.00	6,817.15	917.15
Dispatching - UCEMC	5,600.00	5,750.00	0.00	(5,750.00)
Loss on disposal of equipment	0.00	0.00	(101.01)	0.00
Interest expense	0.00	(100.00)	(1.43)	98.57
Total Non-Operating Revenues and expenses	<u>161,100.00</u>	<u>588,950.00</u>	<u>311,357.56</u>	<u>(277,491.43)</u>
Capital Contributions				
Contributions from TECB	0.00	0.00	386,407.71	386,407.71
Total capital contributions	<u>0.00</u>	<u>0.00</u>	<u>386,407.71</u>	<u>386,407.71</u>
Change in net position	55.00	271,755.00	322,070.92	50,416.93
Total net position-beginning, as originally reported	782,435.63	782,435.63	782,435.63	0.00
Restatement - See Note 9	52,962.21	52,962.21	52,962.21	0.00
Total net position-beginning, as restated	<u>835,397.84</u>	<u>835,397.84</u>	<u>835,397.84</u>	<u>0.00</u>
Total net position-ending	<u>\$ 835,452.84</u>	<u>\$ 1,107,152.84</u>	<u>\$ 1,157,468.76</u>	<u>\$ 50,416.93</u>

See Accompanying Independent Auditors' Report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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## INDEPENDENT AUDITORS' 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.  
Overton/Pickett County E-911 Emergency Communications District  
Livingston, Tennessee

We have audited, in accordance with the 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, the financial statements of the business-type activities of Overton/Pickett County E-911 Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Overton/Pickett County E-911 Emergency Communications District's basic financial statements and have issued our report thereon dated November 5, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Overton/Pickett County E-911 Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Overton/Pickett County E-911 Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Overton/Pickett County E-911 Emergency Communications District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [12-04 and 13-02].

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies [12-01, 12-07, 12-09, 12-12, 12-13, and 13-01].

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Overton/Pickett County E-911 Emergency Communications District's financial statements are free from material misstatement, we 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

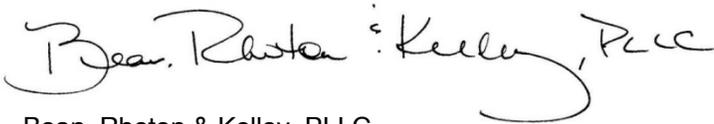
with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [12-05, 12-06, and 12-15].

**Overton/Pickett County E-911 Emergency Communications District's Responses to Findings**

Overton/Pickett County E-911 Emergency Communications District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Overton/Pickett County E-911 Emergency Communications District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC". The signature is written in dark ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC  
November 5, 2013

**VERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

- I. Summary of Auditors' Results
  - A. The June 30, 2013, Auditors' Report on the Financial Statements was unqualified.
  - B. Material weaknesses in internal control were disclosed by the audit and are discussed below in findings 12-04 and 13-02.
  - C. Significant deficiencies in internal control were disclosed by the audit and are discussed below in findings 12-01, 12-07, 12-09, 12-12, 12-13, and 13-01.
  - D. Instances of noncompliance were disclosed by the audit and are discussed below in findings 12-05, 12-06, and 12-15.
- II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(12-01) Segregation of duties

The District does not have a sufficient number of employees to provide the proper segregation of duties necessary for an effective internal control system.

Recommendation:

Due to the number of office employees working for the District, we do not believe a complete segregation of duties is possible that would eliminate all weaknesses in the District's accounting system. However, the District should consider a thorough study of the internal control aspect of the accounting system. Certain additional procedures and segregation of proper duties should increase the control over the assets.

District's Response:

We concur with the auditor's finding and recommendation.

Disposition:

As of June 30, 2013, this problem still exists.

(12-02) Authorized signer

During confirmation of the District's bank accounts, it was discovered that one of the bank accounts has an authorized signer that is no longer on the Board.

Disposition:

As of June 30, 2013, this problem no longer exists.

(12-03) Controls over journal entries

During the course of the audit, it was noted that the District does not have a written policy to approve journal entries.

Disposition:

As of June 30, 2013, this problem no longer exists.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

(12-04) Petty cash

Testing revealed that there were no controls over petty cash. In addition, employees were allowed to borrow money from petty cash as well as cash personal checks out of petty cash.

Recommendation:

Petty cash should be reconciled on a regular basis. All invoices from purchases made from petty cash should be retained and attached as supporting documentation to the check issued to reimburse petty cash. Invoices should be reviewed to ensure that all purchases were legitimate purchases applicable to District operations. There should be no instances of employee cashed checks or money borrowed from petty cash.

District's Response:

A written policy was drafted to make sure that all petty cash disbursements have proper documentation; employees outside of the District's bookkeeper are not allowed access to petty cash and those employees are no longer allowed to cash personal checks or borrow money from petty cash. In addition, the policy stated that the District will no longer accept cash as form of payment for electrical permits.

Disposition:

This problem still existed during the year but was corrected at June 30, 2013 as the District's response indicates above.

(12-05) Violation of the three day banking law

Deposits are not always being made within three days of receipt.

Recommendation:

Section 5-8-207, Tennessee Code Annotated requires District officials to deposit funds within three days after collection. In order to safeguard public monies, we recommend that all money collected be deposited promptly. In addition, deposit slips should be detailed in order to allow tracing from receipts to the bank statement.

District's Response:

This problem will be taken care of immediately.

Disposition:

As of June 30, 2013, this problem still exists.

(12-06) Paid sales tax

During the course of the audit, it was noted that sales tax was being paid on some exempt expenditures.

Recommendation:

Vendors should be notified of the District's exempt status relative to sales and use tax. Reimbursements to employees should not include the sales tax paid by them.

District's Response:

We will correct this problem.

Disposition:

As of June 30, 2013, this problem still exists.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

(12-07) Accrued vacation policy

During the course of the audit, it was noted that the District's accrued vacation policy is not being followed.

Recommendation:

The District's written accrued vacation policy allows employees to take vacation only after earned. Currently, some employees are taking vacation days in excess of what they have earned at that point in time.

District's Response:

We will correct this problem.

Disposition:

As of June 30, 2013, this problem still exists.

(12-08) Internal controls over credit cards

During the year, internal controls over credit cards did not detect and deter certain findings such as an employee purchasing items with another employee's District credit card. Employees purchased personal items on the District's credit card and reimbursed the District for the purchase. There were instances of credit cards statements being paid late, incurring fees. In addition, a lack of supporting documentation was noted for related credit card purchases.

Disposition:

As of June 30, 2013, this problem no longer exists.

(12-09) Internal controls over disbursements

The District did not always adhere to its written purchasing policy during the year. We noted at times a lack of purchase orders, approval of purchases by the appropriate level, and supporting documentation. Internal controls over disbursements did not detect and deter the above findings.

Recommendation:

The District should continue to evaluate and update its internal controls over disbursements and related purchasing policies on a regular basis.

District's Response:

We implemented new policies during this year to help in this area. We will continue to correct this problem and monitor the progress of adhering to our written policies.

Disposition:

While improvement was noticed, as of June 30, 2013, this problem still exists.

(12-10) Capitalization policy

The District does not have a written capitalization policy that outlines the Board's designated minimum threshold for capitalizing and depreciating assets rather than expensing them currently.

Disposition:

As of June 30, 2013, this problem no longer exists.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

(12-11) Travel policy

The District does not have a written travel policy that outlines the Board's requirements for reimbursement or approval for travel expenditures to employees for mandated travel by the District.

Disposition:

As of June 30, 2013, this problem no longer exists.

(12-12) Employee use of vehicles

During the year ended June 30, 2013, the District approved a written policy regarding employee personal use of District vehicles. However, it was noted that the personal use of District vehicles was not included in the employees' W-2 for the calendar year 2012.

Recommendation:

The District should include the personal use of District's vehicles in the employees' W-2.

District's Response:

We will work to correct this problem.

Disposition:

As of June 30, 2013, this problem still exists.

(12-13) Internal controls over fuel supply

During the year ended June 30, 2013, the District approved a written policy that outlines the use of the District's fuel supply on premises. However, reconciliation of the bulk fuel supply was not documented.

Recommendation:

The District should evaluate and update its internal controls over fuel supply and related reconciliation policies on a regular basis.

District's Response:

We will work to correct this problem.

Disposition:

As of June 30, 2013, this problem still exists.

(12-14) Internal controls over employees' time sheets

The District does not have a written policy that outlines the requirements of each employee's time reporting process. The lack of controls over the time reporting process during the year enabled employees to be paid for time sheets that were not approved by management, time sheets that were not signed by employees, and some time sheets that were not dated.

Disposition:

As of June 30, 2013, this problem no longer exists.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

(12-15) Budget

We noted that actual expenditures exceeded the amount appropriated in the budget.

Recommendation:

All expenditures should be authorized in either the original budget, an amendment to that budget, or a supplemental appropriation.

District's Response:

The budget will be monitored better in the future.

Disposition:

As of June 30, 2013, this problem still exists.

(13-01) Surplus fixed assets

During our testing of fixed assets, we were unable to verify board approval for fixed assets that were deemed as surplus during the fiscal year.

Recommendation:

Fixed assets that are no longer in operating condition should be approved by the Board before being sold or otherwise disposed and removed from the fixed asset listing. We suggest the Board annually review a fixed asset listing, and any property identified for disposal be noted in the official board minutes.

District's Comment:

The District will make sure the Board approves all future disposals of fixed assets.

(13-02) Disbursement classification

During our testing of disbursements, we found several instances of expenditures posted to the incorrect distribution accounts during the year.

Recommendation:

In order to provide accurate financial records as well as assist with budgeting and compliance monitoring, the District should ensure that all disbursements are correctly posted in the corresponding distribution account.

District's Response:

We agree with this finding and will continue to improve our financial record keeping.