OBION COUNTY
EMERGENCY COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS

June 30, 2015

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS
June 30, 2015

Board Members

Mark Watson – Chairman

Bob Reavis – Vice-Chairman

John Horner – Treasurer

Polk Glover – Secretary

Dan Boykin
Kathy Forrester
Kenny Thurmond
Tim Partin
Judy Barker

Management Official

Sherri Hanna – Executive Director

FINANCIAL SECTION

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AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Obion County Emergency Communications District
Union City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Obion County Emergency Communications District, a component unit of Obion County, Tennessee, as of and for the year ended June 30, 2015, 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.

Auditor's 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 auditor's 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 auditor considers 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 financial position of Obion County Emergency Communications District as of June 30, 2015, and the changes in financial position and 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Officials and Budgetary Comparison Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule is the responsibility of management and was derived from and relates 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 Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Officials 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 September 11, 2015, on our consideration of the 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 Obion County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 11, 2015

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

Assets		
Current assets		
Cash		$ 567,829
Investments - certificates of deposit		483,672
Prepaid expenses		39,677
Total current assets		1,091,178
Noncurrent assets		
Capital assets		
Construction in progress	347	
Land	34,500	
Office equipment and furniture	144,148	
Vehicles	39,876	
Communications and mapping equipment	600,183	
Building and improvements	507,743	
Total capital assets	1,326,797	
Accumulated depreciation	(676,101)	
Net capital assets		650,696
Total assets		1,741,874
Liabilities		
Current liabilities		
Accounts payable		1,090
Net position		
Investment in capital assets	650,696	
Unrestricted	1,090,088	
Total net position		**$ 1,740,784**

The accompanying notes are an integral part of these financial statements.

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

Operating revenue		
Emergency telephone service charge		$ 79,525
Tennessee Emergency Communications Board (TECB) - shared wireless charge		30,107
TECB distribution of 911 surcharges		268,032
TECB - operational funding		152,264
Miscellaneous income		1,043
Total operating revenue		530,971
Operating expenses		
Salaries and wages	221,764	
Employee benefits	20,781	
Contracted services	80,280	
Supplies and materials	25,384	
Other charges	66,199	
Depreciation and amortization	88,294	
Total operating expenses		502,702
Operating income		**28,269**
Non-operating income (expense)		
Interest income		3,198
Income before capital contributions		31,467
Capital contributions		
Capital contributions from TECB		100,651
Increase in net position		**132,118**
Net position - July 1, 2014		1,608,666
Net position - June 30, 2015		$ 1,740,784

The accompanying notes are an integral part of these financial statements.

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash flows from operating activities		
Cash received from customers		$ 556,936
Cash payments to suppliers for goods and services		(225,472)
Cash payments to employees for services		(221,764)
Net cash provided by operating activities		109,700
Cash flows from capital and related financing activities		
Purchase of property, plant and equipment	(4,847)	
State reimbursements - capital assets	130,651	
Net cash provided by capital and related financing activities		125,804
Cash flows from investing activities		
Purchase of investments	(101,507)	
Interest earned on investments	3,198	
Net cash used by investing activities		(98,309)
Net increase in cash		**137,195**
Cash - July 1, 2014		430,634
Cash - June 30, 2015		$ 567,829

Reconciliation of operating income to net cash provided by operating activities

Operating income		$ 28,269
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	75,006	
Amortization	13,288	
Decrease in accounts receivable	12,493	
Decrease in due from TECB - operations	13,472	
Increase in prepaid expenses	(32,845)	
Increase in accounts payable	17	
Total adjustments		81,431
Net cash provided by operating activities		$ 109,700

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Obion County Emergency Communications District was created on May 16, 1988, by the legislative body of Obion County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the uniform accounting system developed by the Comptroller of the Treasury, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB has established criteria to determine whether (a) an entity has any component units that should be included for financial reporting purposes, or (b) the entity itself should be included as a component unit of another reporting entity. The District's board is appointed by the Obion County Commission, and the District must obtain the approval of the Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District and has included the District as a component unit of Obion County.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Obion County Emergency Communications District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and, as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary fund types are reported using the *economic resources* measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. The State has defined grants and reimbursements from the Tennessee Emergency Communications Board to be nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

C. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The District defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. As of June 30, 2015, the District had no short-term investments meeting this definition.

State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the State's local government investment pool.

Prepaid expenses
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The proportionate amount of expense is recognized in each of the benefitting periods.

Capital assets
All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The District's capitalization threshold is set at $10,000 per unit cost. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Compensated absences
Employees are entitled to paid vacation and sick leave based on terms of employment and other factors. Any accumulated vacation time earned must be taken within one year of the employment anniversary date. No carryover for compensated absences to future years is permitted. Due to this policy, the cost of future absences at the balance sheet date is not material; therefore, no accrual has been recorded in the financial statements. It is the District's practice to expense these costs when paid to the employees.

Net position flow assumption
Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District's Board of Directors approves an appropriatory budget annually. The budget for the year ended June 30, 2015, was prepared on the cash basis. Revenues were budgeted at amounts expected to be received during the fiscal year, and the budget included amounts accrued as receivables in the prior year. The budgetary comparison statement includes a reconciliation to the statement of revenues, expenses, and changes in net position. The legal level of control for expenses is at each line item of expense; therefore, each line item must be amended to authorize actual expenditures.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

The District has its cash deposits in local banks. Investments on the balance sheet as of June 30, 2015, consisted of certificates of deposit issued by local banks.

Custodial Credit Risk – The District's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2015, all of the District's deposits were fully insured or collateralized.

B. Capital assets

Capital asset activity during the year was as follows:

Description	Balance 7/01/14	Additions	Disposals	Balance 6/30/15
Capital assets, not being depreciated				
Land	$ 30,000	$ 4,500	$ -	$ 34,500
Construction in progress	-	347	-	347
Total capital assets not being depreciated	30,000	4,847	-	34,847
Capital assets, being depreciated				
Office equipment and furniture	$ 144,148	$ -	$ -	$ 144,148
Vehicles	39,876	-	-	39,876
Communications and mapping equipment	600,183	-	-	600,183
Building and improvements	507,743	-	-	507,743
Total capital assets being depreciated	1,291,950	-	-	1,291,950
Less accumulated depreciation				
Office equipment and furniture	93,981	12,917	-	106,898
Vehicles	19,668	5,052	-	24,720
Communications equipment	390,981	43,291	-	434,272
Building and improvements	96,465	13,746	-	110,211
Total accumulated depreciation	601,095	75,006	-	676,101
Total capital assets, net	$ 720,855	$ (70,159)	$ -	$ 650,696

Depreciation expense for the year ended June 30, 2015, was $75,006.

NOTE 4 – OTHER INFORMATION

Risk Management

The District is exposed to various risks related to general and public official's liability, officers'/director's omissions liability, automobile liability, property and casualty losses, and workers' compensation. To cover these risks, the District joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee and is self-sustaining through member premiums. The Pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The District pays annual premiums to the Pool based on its prior claims history. The Pool provides the specified coverage and pays all claims from its member premiums charged or

through its reinsurance policies. In addition, the District has purchased commercial insurance to provide for employee health insurance. Settlements have not exceeded insurance coverage in any of the prior three years.

The District is self-insured for unemployment claims by its employees, which means that the District will reimburse the State's workforce development agency for any claims against the District as they occur. During the year ended June 30, 2015, $750 was charged to expense for claims made by a former employee to the state unemployment fund that was assessed to the District.

SUPPLEMENTARY INFORMATION SECTION

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Over (Under)
Operating revenue				
Emergency telephone service charge	$ 86,000	$ 90,000	$ 92,017	$ 2,017
TECB - shared wireless charge	39,500	43,500	43,580	80
TECB distribution of 911 surcharges	268,031	268,031	268,032	1
TECB - operational funding	126,245	150,245	152,264	2,019
Miscellaneous income	500	500	1,043	543
Total operating revenue	520,276	552,276	556,936	4,660
Operating expenses				
Salaries and wages				
Director	39,500	40,250	39,490	(760)
Dispatchers	203,250	194,500	182,274	(12,226)
Employee benefits				
Social security	15,000	15,000	13,069	(1,931)
Medicare	3,525	3,525	3,057	(468)
Unemployment	2,500	2,500	750	(1,750)
Life insurance	300	300	240	(60)
Medical insurance	12,500	4,000	3,454	(546)
Other fringe benefits	250	500	211	(289)
Contracted services				
Addressing/mapping expense	1,500	3,500	3,032	(468)
Advertising	500	500	-	(500)
Audit services	3,600	3,600	3,575	(25)
Accounting services	2,700	2,500	2,400	(100)
Engineering services	1,000	1,000	144	(856)
Fees paid to service providers	17,500	17,500	14,393	(3,107)
Maintenance agreement	2,500	2,500	720	(1,780)
Legal services	1,500	1,000	-	(1,000)
Pest control	500	500	360	(140)
Lease/Rental:				
Building rental	700	700	660	(40)
Office equipment	400	400	363	(37)
Maintenance and repairs				
Communications equipment	6,000	70,000	20,921	(49,079)
Building and facility	2,500	2,000	1,034	(966)
Office equipment	500	2,500	1,795	(705)
Vehicle	1,000	1,600	1,447	(153)
Fuel expense - vehicle	1,500	900	583	(317)
Language line	250	250	6	(244)
Other contracted services	26,000	30,600	28,847	(1,753)
Supplies and materials				
Office supplies	3,500	3,500	2,654	(846)
Custodial supplies	1,500	1,500	1,060	(440)
Data processing supplies	250	250	178	(72)
Postage	300	300	93	(207)

See independent auditor's report

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Over (Under)
Small equipment purchases	3,000	10,000	5,039	(4,961)
Uniforms/Identification badges	200	200	-	(200)
Utilities				
Electric	10,500	10,500	9,499	(1,001)
Gas - generator	800	800	-	(800)
Water	1,000	1,000	887	(113)
General telephone	4,500	4,500	3,891	(609)
Cell phones and pagers	800	800	715	(85)
Other supplies and materials	900	1,700	1,368	(332)
Other charges				
Board meeting expenses	1,800	3,000	2,819	(181)
Dues and memberships	1,000	1,500	1,354	(146)
Employee testing and exams	500	1,000	932	(68)
Insurance				
Workers compensation	750	850	842	(8)
Liability	6,250	5,000	4,926	(74)
Buildings and contents	2,500	2,000	1,777	(223)
Equipment	500	500	90	(410)
Vehicle	1,000	1,250	1,013	(237)
Legal notices	200	300	234	(66)
Licenses and fees	250	38,000	35,655	(2,345)
Premiums on surety bonds	2,000	1,000	600	(400)
Public education	500	500	117	(383)
Service awards	1,000	1,500	1,121	(379)
Training expenses	7,500	7,500	6,774	(726)
Travel expenses	5,000	7,500	6,997	(503)
Internet	900	1,100	948	(152)
Miscellaneous expense	100	100	-	(100)
Amortization of prepaid maintenance expense	14,000	14,000	13,288	(712)
Depreciation	77,000	78,500	75,006	(3,494)
Total operating expenses	496,975	602,275	502,702	(99,573)
Operating income	**23,301**	**(49,999)**	**54,234**	**104,233**
Non-operating income (expense)				
Interest income	2,000	3,000	3,198	198
State reimbursements	50,000	130,651	130,651	-
Total non-operating income (expense)	52,000	133,651	133,849	198
Increase in net position - budgetary basis	**$ 75,301**	**$ 83,652**	**$ 188,083**	**$ 104,431**
Prior year receivables budgeted as revenue in the current year			(55,965)	
Increase in net position - GAAP basis			**$ 132,118**	

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:
American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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Independent Auditor's 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*

Board of Directors
Obion County Emergency Communications District
Union City, 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 Obion County Emergency Communications District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Obion County 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Item 2015-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Obion County 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Obion County Emergency Communications District's Response to Findings

Obion County Emergency Communications District's response to the finding identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 11, 2015

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
June 30, 2015

2015-001 Segregation of Duties

Condition: Due to the size of the staff, the Obion County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2015.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation does exist in the District's internal accounting controls.

Response: *The Obion County Emergency Communications District has segregated the internal control functions as much as possible to ascertain the integrity of all the financial records. We have a small staff employed, and it is financially infeasible for us to increase its size. We have, however, put into place additional controls regarding the handling of funds which are received in our office.*

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2015

Financial Statement Findings

Finding No.	Finding Title	Status
1997-001	Segregation of Duties	Repeated
2014-001	Line Items over Budget	Corrected

Federal Award Findings and Questioned Costs

The District was not subject to a Single Audit in the prior year.