Jefferson Co
RFP #15-135

AUDIT REPORT ON THE

FINANCIAL STATEMENTS OF JEFFERSON COUNTY EMERGENCY SERVICES AGENCY RANSON, WEST VIRGINIA For the Fiscal Year Ended June 30, 2015

LISA K. THORNBURG, CPA

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2015

GOVERNMENTAL FUND TYPE

General Fund

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
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For the Fiscal Year Ended June 30, 2015

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
BOARD OFFICIALS
For the Fiscal Year Ended June 30, 2015

Office	Name	Term Ending
President:	Pete Kelley	June 30, 2016
Vice-President:	Christopher Conroy	June 30, 2015
Treasurer:	Jane Tabb	June 30, 2016
	Denise Carter	June 30, 2016
	Steve Sowers	June 30, 2015
	Jack Wysong	June 30, 2016
Director:	Doug Pittinger	
Deputy Director:	Ed Hannon	
Medical Director:	Jennifer Robertson	

Lisa K. Thornburg, CPA
2514 Bedford Chapel Road
Milton, WV 25541
_(304) 617-2960_

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Board
Jefferson County Emergency Services Agency
Ranson, West Virginia 25438

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Jefferson County Emergency Services Agency (Agency), a component unit of Jefferson County, West Virginia, as of and for the year ended June 30, 2015, and the related notes to the 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 the 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 used 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 qualified audit opinion.

Basis for Qualified Opinion

Management has not implemented the provisions of Governmental Accounting Standards Board (GASB) Statement #68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement #27.* Accounting principles generally accepted in the United States of America require that the Board's net pension obligation be presented in the financial statements and note disclosures. The amount by which this departure would affect the assets, liabilities, net position and expenditures of the Board has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson County Emergency Services Agency, as of June 30, 2015, and the changes in financial position and the budgetary comparison for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Board 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 Jefferson County Emergency Services Agency's financial statements, as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 March 15, 2016, on our consideration of the Jefferson County Emergency Services Agency'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 the 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 the Jefferson County Emergency Services Agency's internal control over financial reporting and compliance.

Respectfully submitted,

Lisa K. Thornburg

Lisa K. Thornburg, CPA

March 15, 2016

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
June 30, 2015

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Current:			
Cash and cash equivalents	$ 804,663	$ -	$ 804,663
Accounts receivable, net	22,323	-	22,323
Prepaid expenses	84,839	-	84,839
Capital assets:			
Land	-	550,000	550,000
Buildings and improvements	-	1,366,998	1,366,998
Equipment	-	539,462	539,462
Less: accumulated depreciation	-	(689,317)	(689,317)
Total assets	$ 911,825	$ 1,767,143	$ 2,678,968
Liabilities			
Current:			
Accounts payable	$ 7,879	$ -	$ 7,879
Payroll payable	31,126	-	31,126
Interest payable	1,161	-	1,161
Noncurrent liabilities due within one year:			
Notes payable	-	28,576	28,576
Noncurrent liabilities due in more than one year:			
Compensated absences	-	45,493	45,493
Notes payable	-	1,148,612	1,148,612
Total liabilities	40,166	1,222,681	1,262,847
Fund Balances/Net Position			
Fund balances:			
Restricted	81,000	(81,000)	-
Unassigned	790,659	(790,659)	-
Total fund balances	871,659	(790,659)	-
Total liabilities and fund balances	$ 911,825		
Net position:			
Invested in capital assets, net of related debt		589,955	589,955
Restricted for debt service		81,000	81,000
Unrestricted		745,166	745,166
Total net position		$ 1,416,121	$ 1,416,121

The accompanying independent auditor's report and notes to the financial statements are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

	General	Adjustments (Note 2)	Statement of Activities
Expenditures:			
Personnel	$ 1,381,486	$ (21,614)	$ 1,359,872
Current expense	211,550	-	211,550
Loan principal	27,317	(27,317)	-
Loan interest	53,647	-	53,647
Bad debt expense	3,481	-	3,481
Depreciation	-	52,640	52,640
Total expenditures	1,677,481	3,709	1,681,190
Program revenues:			
Charges for services	65,749	-	65,749
Total program revenues	65,749	-	65,749
Net program revenues		(3,709)	(1,615,441)
General revenues:			
Intergovernmental:			
County Commission	1,528,230	-	1,528,230
Emergency Service Fee from Jefferson County	675,000	-	675,000
Interest income	1,941	-	1,941
Miscellaneous	17,248	-	17,248
Total general revenues	2,222,419	-	2,222,419
Excess (deficiency) of revenues over expenditures	610,687		
Change in net position		(3,709)	606,978
Fund balances/net position at beginning of year	260,972	548,171	809,143
Fund balances/net position at end of year	$ 871,659	$ 544,462	$ 1,416,121

The accompanying independent auditor's report and notes to the financial statements are integral parts of this statement.

Note 1. Summary of significant accounting policies

The accounting policies and the presentation of the financial report of Jefferson County Emergency Services Agency (Agency) have been designed to conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies.

A. Reporting entity

The Jefferson County Emergency Services Agency, a component unit of Jefferson County, West Virginia, was created under the provisions of West Virginia Code § 7-15-1 et seq., and the authority of Senate Bill 224, passed as a Special Act of the 2008 West Virginia Legislature, to provide ambulance services, fire protection services and emergency medical services in the County. The Board consists of a county commissioner plus five members appointed by the county commission, each serving a three year term. The officers are elected by the Board each year in June .

Based on the foregoing, the Agency has no component units.

B. Government-wide and fund financial statements

For this special purpose government, combined government-wide and fund financial statements are presented. The government-wide section of the financial statements (i.e., the statement of net position and the statement of changes in net position) reports information on all the nonfiduciary activities of the government's *Governmental activities* , which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide sections of the financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund sections of the financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports one major governmental fund:

The G*eneral fund* is the government's only operating fund. It accounts for all financial resources of the general government.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including any special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of less than three months from the date of acquisition.

In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, the government reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal national mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the SEC which have fund assets over three hundred million dollars.

2. Receivables and payables

All receivables and payables are shown at the gross amount due. The Agency periodically analyzes delinquent accounts and uses the direct write-off method.

3. Inventories and Prepaid Items

The cost of governmental-fund type inventories are recorded as expenditures when purchased rather than when consumed.

4. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Life In Years
Buildings	40
Machinery and equipment	3-10

5. Compensated absences

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide statements in accordance with GASB Statement 16, *Accounting for Compensated Absences* .

6. Equity Classification

In the governmental fund financial statements, fund balance is reported in five classifications:

Nonspendable	Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
Restricted	Amounts with constraints imposed on their use, either by external creditors, grantors, contributors, or laws and regulations of other governments; or by law through constitutional provisions or enabling legislation.
Committed	Amounts that can only be used for purposes pursuant to constraints imposed by formal action of the Board.
Assigned	Amounts that are constrained by the Board's intent to be used for specific purposes.
Unassigned	Residual fund balance that has not been restricted, committed or assigned.

The Board is the Agency's highest level of decision-making authority. The Board may take formal action to establish, modify or rescind a fund balance commitment or to assign fund balance amounts to a specific purpose. The Board has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be made from restricted resources first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board has the authority to deviate from this policy if it is in the best interest of the Agency.

In the government-wide financial statements, equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

b. Restricted net position - Consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Reconciliation of government-wide and fund financial statements

A. Explanation of adjustments shown on the Governmental Fund Balance Sheet/Statement of Net Position

The governmental fund balance sheet includes an adjustment between the governmental fund balance total and the governmental activities net position as reported in the statement of net position. Capital outlays are expensed at the fund level but are capitalized and depreciated at the government-wide level. In addition, compensated absences and other long-term liabilities are not reported on the governmental fund level, but are reported as a liability in net position. The details of this difference are as follows:

Capital assets	$	2,456,460
Less: accumulated depreciation		(689,317)
Notes payable		(1,177,188)
Compensated absences		(45,493)
Total adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	544,462

B. Explanation of adjustments shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes an adjustment between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the Statement of Activities. The adjustment indicates that long-term liabilities are not recognized on the fund level statements, but are shown on the Statement of Activities. In addition, capital outlays are expensed at the fund level but are capitalized and depreciated at the government-wide level. The details of this difference are as follows:

Loan principal	$	27,317
Depreciation expense		(52,640)
Salaries		21,614
Total adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(3,709)

Note 3. Stewardship, compliance, and accountability

Budgets and Budgetary Accounting

Annual budgets are prepared for internal control purposes and submitted to the Jefferson County Commission.

Note 4. Detailed notes on all funds

A. Cash and cash equivalents

At year end, the government's carrying amount of deposits and bank balances was $804,663, which was entirely covered by Federal Deposit Insurance Corporation coverage or security collateral. The Board's balances did not exceed this FDIC or security coverage at any time during the year.

The Board's cash balance at June 30, 2015, was composed of the following accounts:

General Checking Account	$	63,033
Payroll Checking		15,263
Mortgage Fund Checking Account		99,897
Ambulance Fee Checking Account		626470
Total cash	$	804,663

B. Receivables

Receivables as of year end including the applicable allowances for uncollectible accounts, are as follows:

Receivables:		
Accounts	$	22,323

C. Capital Assets

The Board had the following capital asset activity for the year ended June 30, 2015:

Governmental activities:		Beginning Balance		Increases		Decreases		Ending Balance
Capital assets not being depreciated:								
Land	$	550,000	$	0	$	0	$	550,000
Total capital assets not being depreciated		550,000		0		0		550,000
Capital assets being depreciated:								
Buildings and improvements	$	1,366,998	$	-	$	-	$	1,366,998
Machinery and equipment		539,462		-		-		539,462
Total accumulated depreciation		(636,677)		(52,640)				(689,317)
Total capital assets being depreciated, net		1,269,783		(52,640)		-		1,217,143
Governmental activities capital assets, net	$	1,819,783	$	(52,640)	$	-	$	1,767,143

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
Current Expense	$	52,640
Total depreciation expense - governmental activities	$	52,640

D. Long-Term Debt

Notes Payable

On April 22, 2009, the Agency borrowed $1,310,000 from the USDA to pay for the construction of a new operations center. Loan funds were advanced during the construction period as requested by the Agency. As of June 30, 2015, the outstanding loan principal balance was $1,177,188. The loan terms require amortized monthly installments of $6,747 that began on May 10, 2010. The interest rate is a fixed rate of 4.5% for 29 years.

Purpose	Maturity Date	Interest Rate	Issued	Retired	Balance 6/30/15
Operations Center	April 2039	4.50%	$ 1,310,000	$ 132,812	$ 1,177,188
	Total notes payable		$ 1,310,000	$ 132,812	$ 1,177,188

Total notes payable at June 30, 2015	$ 1,177,188
Less: Current portion due in upcoming year	(28,576)
Long-term notes payable at June 30, 2015	$ 1,148,612

Debt service requirements to maturity are as follows:

Year Ended	Governmental Activities Principal	Interest	Totals
2016	$ 28,576	$ 52,388	$ 80,964
2017	29,888	51,076	80,964
2018	30,355	50,609	80,964
2019-2023	184,563	220,257	404,820
2024-2028	229,215	175,605	404,820
2029-2033	273,721	131,099	404,820
2034-2038	336,099	68,721	404,820
2039	64,771	2,699	67,470
Totals	$ 1,177,188	$ 752,454	$ 1,929,642

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 67,107	$ -	$ 21,814	$ 45,293	$ -
Notes payable	1,204,505	-	27,317	1,177,188	28,576
Governmental activity long-term liabilities	$ 1,271,612	$ -	$ 49,131	$ 1,222,481	$ 28,576

Note 5. Other information

A. Risk management

The Agency carried workers compensation coverage with WVCorp. The cost of coverage, as determined by the Insurer, is paid by the employers. The Workers Compensation Fund risk pool retains the risk related to the compensation of injured employees under the program. The Agency also carries general and liability insurance to cover other risks related to its operations.

B. Custodial Credit Risk and Interest Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's policy for custodial credit risk is to comply with statutory provisions for depository bond coverage, which provides that no public money should be deposited until the banking institution designated executes a bond with good and sufficient sureties which may not be less than the maximum sum that is deposited in the depository at any one time. The Agency's deposits did not exceed the amount of coverage at any time during the year.

The Board has no interest rate risk policy.

Depository Accounts	Book Balance	Bank Value
Insured	$ 250,000	$ 250,000
Collateralized by securities held by pledging bank in the bank's name	554,663	548,029
Uninsured and uncollateralized	-	-
Total Deposits	$ 804,663	$ 798,029

C. Financial Support

The Agency is funded primarily through contributions from the Jefferson County Commission. Any change in that revenue would have a significant impact upon the ability of the Jefferson County Emergency Services Agency to function at its current level.

D. Subsequent Events

The Agency has considered all subsequent events through March 15, 2016, the date the financial statements were made available.

E. Employee retirement systems and pension plans

Plan Descriptions, Contribution Information and Funding Policies

West Virginia Emergency Medical Services Retirement System (EMSRS)

The Agency participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate	All Agency full-time EMS employees
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	8.50%
County's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member is eligible for "normal" retirement as follows: a member who has attained age 50 and has 20 or more years of contributing service; or age 50 if the sum of his/her age plus years of credited service is equal to or greater than 70 while still in covered employment; or age 60 and has 10 years of credited service while still in covered employment; or age 62 with completion of 5 years of credited service.
	The final average salary (highest annual salary during covered employment for any 5 consecutive plan years in the last 10) times the number of years of service times 2.6% equals the annual retirement benefit for years 1-20, 2.0% for years 21-25, and 1.0% for years 26-30.
	Maximum benefit allowed by Federal law for governmental retirement plan is 67% if plan is less than 75% funded.

In accordance with provisions in statute, upon reaching a 75% funded level as of an actuarial valuation date, the CPRB (Consolidated Public Employees Retirement Board) shall increase the annual multiplier from 2.6% of the final average salary to 2.75% of final average salary for years one through twenty of service credited.

Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed
2015	$ 160,814	100%
2014	$ 180,239	100%
2013	$ 157,520	100%

EMSRS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Ave. S.E., Charleston, WV 25304.

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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*

Honorable Members of the Board
Jefferson County Emergency Services Agency
Ranson, West Virginia 25438

We have audited, 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, the basic financial statements of the Jefferson County Emergency Services Agency (Agency), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2016. In that report, our opinion was qualified because the Board has not implemented the provisions of GASB Statement #68 related to pension reporting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic 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.*

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.

Respectfully submitted,

Lisa K. Thornburg

Lisa K. Thornburg, CPA

March 15, 2016