

MARION SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2014

MARION SOIL AND WATER CONSERVATION DISTRICT
Elected Officials

<u>Supervisors</u>	<u>Seat Number</u>	<u>Term Expires</u>
Vacant, Chairman	3	
Thomas Cartwright, Vice-Chairman	1	November 2015
Robert Stenstream, Secretary/Treasurer	4	November 2017
Vivi Serena, Supervisor	5	November 2015
Colleen Stenstream, Supervisor	2	November 2017

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John S. Rice, CPA
C. L. (Chip) Garner, CPA
David A. Donofrio, CPA

Patricia A. Sykes-Amos, CPA
Keire Rice Hosley, CPA
Deborah R. Mullins, CPA
Allan L. Silbernagel, CPA
Gabriel P. Burroughs, CPA

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ACCOUNTANTS

Herbert John Greenlee, Jr. CPA (Retired)
Dorothy A. Kurras, CPA (1937-2010)
Jerry D. Brown, CPA (1950-2013)

INDEPENDENT AUDITOR'S REPORT

Board Supervisors
Marion Soil and Water Conservation District
2441 NE 3rd St., Suite 204-2
Ocala, Florida 34470

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Marion Soil and Water Conservation District, as of and for the year ended September 30, 2014, 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement presentation.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Marion Soil and Water Conservation District, as of September 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 6 and 9 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 operation, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with laws, regulations and grant agreements. 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 District's internal control over financial reporting and compliance.

Greenlee, Kuras, Rice & Brown, P.A.

Mount Dora, Florida
June 5, 2015

Management's Discussion and Analysis

As management of the Marion Soil and Water Conservation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2014.

Financial Highlights

The assets of the Marion Soil and Water Conservation District exceeded its liabilities as of September 30, 2014 by \$30,837 (net assets). All of this amount may be used to meet the government's ongoing operating obligations. For the year ended September 30, 2013, the District's assets exceeded liabilities by \$27,503.

The government's total net assets increased by \$3,334 for the fiscal year ended September 30, 2014 and decreased by \$1,492 the fiscal year ended September 30, 2013.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Marion Soil and Water Conservation District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Marion Soil and Water Conservation District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is changing.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year and the prior year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by grants. The only governmental activity for the District is providing funding for water and soil conservation research and information.

The government-wide financial statements appear on page 6-7 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Marion Soil and Water Conservation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has a single governmental fund.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The basic governmental fund financial statements can be found on pages 8-9 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-11 of this report.

Government-Wide Financial Analysis

Our analysis of the government-wide financial statements of the District begins below. The Statement of Net Assets and the Statement of Activities report the net assets of the District and changes in them. Over time, increases or decreases in the District's net assets are one indicator of financial position. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

Marion Soil and Water Conservation District Net Assets

	<u>2014</u>	<u>2013</u>
Current assets	\$ 30,837	\$ 53,253
Current liabilities	...	25,750
Unrestricted net assets	30,837	27,503

Assets of the District consist primarily of cash. The current liabilities in 2013 consist of an advance payment towards the equine cost share program.

While the statement of net assets shows the change in financial position of net assets, the statement of activities provides answers as to the nature and source of these changes.

Marion Soil and Water Conservation District Statement of Activities

	<u>2014</u>	<u>2013</u>
Revenues	\$ 92,837	\$ 37,959
Expenses	89,503	39,451
Change in net assets	3,334	(1,492)

Revenues consist primarily of intergovernmental revenue from the State of Florida (2014) and Marion County. Likewise, expenses are primarily related to the equine cost share program.

The District has a single fund, the general fund. The fund financial statements mirror the government wide statements as the District has no capital assets and no long term debt.

Economic Factors and Next Year's Budget

1. The average unemployment rate of Marion County area is 6.6%. This is compared to the 6.1% for the state and 5.9% for the nation.
2. At September 30, 2014 inflation nationally, as indicated by the consumer price index, was 1.7%.

The District's budget for personnel and operations for the 2014/2015 year was adopted by the Marion County Commission.

Requests for Information

This financial report is designed to provide a general overview of the Marion Soil and Water Conservation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to Marion Soil and Water Conservation District, Board of Supervisors, 2441 NE 3rd St., Suite 204-2, Ocala, FL 34470.

MARION SOIL AND WATER CONSERVATION DISTRICT
BASIC FINANCIAL STATEMENTS

MARION SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2014

	Primary Government
	Governmental Activities
	<u> </u>
ASSETS	
Cash and equivalents	\$ 29,406
Receivable from other governments	<u>1,431</u>
TOTAL ASSETS	<u>\$ 30,837</u>
NET ASSETS	
Unrestricted	<u>\$ 30,837</u>
TOTAL NET ASSETS	<u>30,837</u>

The notes to the financial statements are an integral part of this statement.

**MARION SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Revenues			Primary Government	Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>					
Primary government:					
Governmental activities					
General government	\$ 16,549	...	6,534	...	\$ (10,015)
Equine cost share grant #020158	72,954	...	72,954	...	...
Total Governmental Activities	89,503	...	79,488	...	(10,015)
 Total primary government	<u>\$ 89,503</u>	<u>\$ -</u>	<u>\$ 79,488</u>	<u>\$...</u>	<u>(10,015)</u>
General revenues:					
Miscellaneous					\$ 13,349
Total general revenues					13,349
Changes in net assets					3,334
Net assets - beginning of year					27,503
Net assets - end of year					<u>\$ 30,837</u>

The notes to the financial statements are an integral part of this statement.

**MARION SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2014**

	General Fund
ASSETS	
Cash and equivalents	\$ 29,406
Receivable from other governments	<u>1,431</u>
Total Assets	<u>\$ 30,837</u>
FUND BALANCE	
Unassigned	\$ 30,837
Total Fund Balance	<u>\$ 30,837</u>

The notes to the financial statements are an integral part of this statement.

**MARION SOIL AND WATER CONSERVATION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 110,330	\$ 110,330	\$ 79,488	(30,842)
Miscellaneous	...	...	13,347	13,347
Interest	...	...	2	2
Total Revenues	<u>110,330</u>	<u>110,330</u>	<u>92,837</u>	<u>(17,493)</u>
Expenditures:				
Current:				
General Government:				
General services	7,330	7,330	16,549	(9,219)
Conservation:				
Payments for equine cost share	<u>103,000</u>	<u>103,000</u>	<u>72,954</u>	<u>30,046</u>
Total Expenditures	<u>110,330</u>	<u>110,330</u>	<u>89,503</u>	<u>20,827</u>
Net change in fund balances	...	...	3,334	3,334
Fund Balance - beginning of year	<u>27,503</u>	<u>27,503</u>	<u>27,503</u>	...
Fund Balance - end of year	<u>\$ 27,503</u>	<u>\$ 27,503</u>	<u>\$ 30,837</u>	<u>\$ 3,334</u>

The notes to the financial statements are an integral part of this statement.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The Marion Soil and Water Conservation District (the District) is an independent special district formed in 1944. The District's statutory authority is Chapter 582 of the Florida Statutes.

The purpose of the District is to "provide services for soil and water conservation, and proper utilization of natural resources, and to promote the continued use of land for agricultural purposes."

There are no component units that should be included within the District's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all the activities of the primary government.

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 benefits 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. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the general fund.

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

The governmental fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the balance sheet. Operating statements of the governmental fund present increases and decreases in net current assets.

The governmental fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon

MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

enough thereafter to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The government-wide 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 when received and reported as reservations of net assets until all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurements 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 period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets

- 1) *Deposits and Investments* - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute allows public deposits only at qualified depositories that have deposited required collateral in the name of the Treasurer of the State of Florida under the Florida Security for Deposits Act. Therefore all deposits are entirely insured by FDIC or Florida's multiple financial institution collateral pool.

State statutes authorize the District to invest in obligations of U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District's investments are certificates of deposit in qualified depositories.

- 2) *Receivable from Other Governments* - This amount represents reimbursable expenditures that are due from other governments.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2. Budgets

The Marion County Board of County Commissioners adopts a budget for anticipated reimbursable expenses that are under the District's control. All appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

3. Economic Dependency

The District derives seventy nine percent of its revenue from the equine cost share program grant from the State of Florida. Eighty one percent of the District's expenses are related to this grant as well.

4. Related Party

The staff that serves the District is supplied by Marion County, Florida Board of County Commissioners. There is no amount recognized in the financial statements for the value of this staff. All personnel costs are paid by the County.

5. Subsequent Events

The District has evaluated events occurring subsequent to the financial statement date through June 5, 2015. No material subsequent events were identified for recognition or disclosure.

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

Board of Supervisors
Marion Soil and Water Conservation District
Ocala, Florida

We have audited the financial statements of the governmental activities of Marion Soil and Water Conservation District as of and for the year ended September 30, 2014 and have issued our report thereon dated June 5, 2015. 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.

Internal Control Over Financial Reporting

Management of the Marion Soil and Water Conservation District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marion Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management, in the normal course of performing assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion Soil and Water Conservation District's financial statements are free of 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*.

This report is intended for the information of the Board of Supervisors, management and the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Greenlee, Kuras, Rice & Brown, P.A.

Mount Dora, Florida
June 5, 2015

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MANAGEMENT LETTER

The Board of Supervisors
Marion Soil and Water Conservation District
Ocala, Florida

This report contains our comments as required by Chapter 10.554(1)(i) *Rules of the Auditor General*, Local Governmental Entity Audits, for the State of Florida relating to our audit of the Marion Soil and Water Conservation District for the year ended September 30, 2014.

Subparagraph (1) refers to whether corrective action has been taken to address the preceding annual financial audit findings. This is the District's first audit.

Subparagraph (2) refers to "recommendations to improve the local governmental entity's present financial management accounting procedures and internal controls."

2014-1 finding: While the District maintains thorough transaction records and reconciles its bank accounts, it does not prepare actual revenue and expense interim financial statements. To determine the year to date revenues and expenses, the auditor had to add up all the recorded transactions from the Excel spreadsheets. **Recommendation:** The District should adopt the state mandated chart of accounts and use an accounting system such as QuickBooks® that will provide year to date amounts by department and function (i.e. general government, administrative, operating)

2014-2 finding: Checks made payable to a board member to reimburse documented expenses were sometimes signed by the board member to whom the check was made payable. **Recommendation:** The District should adopt a policy that any check made payable to a board member should be signed by another board member.

2014-3 finding: It appears that the District has not established e-mail accounts for the board members to use separate from their personal accounts. **Recommendation:** Given the possibility of Sunshine Law violations and the necessity to keep all District related e-mails, it would behoove the District to establish separate e-mail accounts for the Board members that are maintained within the District's computer system.

2014-4 finding: There is no indication that the Board's treasurer or some other third party reviews the bank statements. **Recommendation:** The treasurer should review and initial the bank statements and bank reconciliations.

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Subparagraph (3) refers to violations of provisions of contracts and grant agreements or abuse that had an effect on the financial statements that were less than material but more than inconsequential. We found no such violations.

Subparagraph (4) requires disclosure of the official title and legal authority for the entity. Marion Soil and Water Conservation District was created December, 1941 by the Florida Legislature. The District's statutory authority is Chapter 582 of the Florida Statutes.

Subparagraph (5)(a) refers to whether the District is or during the year was in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes. The District did not experience any of the specific financial emergency conditions as listed in F.S. 218.503(1).

Subparagraph (5)(b) refers to the agreement of the financial report filed with the Department of Finance Services pursuant to Section 218.32, Florida Statutes with the annual financial audit report. For the year ended September 30, 2014, the financial report was in agreement in all respects.

Subparagraph (6) refers to the auditor's application of financial condition assessment procedures pursuant to Rule 10.556(8). These procedures were performed and no deteriorating financial conditions were noted.

The foregoing conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the District's financial statements, and this report does not affect our report on these financial statements dated June 5, 2015.

This report is intended solely for the use of Board of Supervisors and the State of Florida; and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Marion Soil and Water Conservation District and the State of Florida, is a matter of public record.

Greenlee, Kuras, Rice & Brown, P.A.

Mount Dora, Florida
June 5, 2015

DATE: June 12, 2015

TO: Auditor General
Greenlee, Kurras, Rice and Brown, P.A.

FROM: Marion Soil and Water Conservation District

SUBJECT: September 30, 2014 Audit Findings

The Marion Soil and Water Conservation District (MSWCD) Board reviewed and made a motion to approve all the auditor's findings at their regular board meeting on June 9, 2015. All board members were in favor of this motion.

In regards to these findings the following things have occurred since our audit:

2014-1 finding: QuickBooks was purchased and is in the process of being installed on a MSWCD laptop. The MSWCD must install this program on a separate computer since it violates USDA Natural Resources Conservation Service's policy. Staff is also learning how to use this program.

2014-2 finding: This will be become a new procedure.

2014-3 finding: Some board supervisors already have new accounts while others are still in the process of getting these accounts established.

2014-4 finding: Our treasurer reviews and initials every bank statement now.

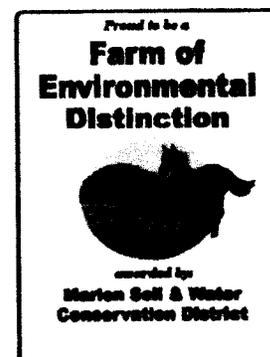


Fred Ward, Chairman
Justin Albright, Vice Chairman
Robert Stenstream, Treasurer
Vivi Serena, Secretary
Colleen Stenstream
Ann Bishop, Office Administrator
Nick Gorsano, Conservation Technician

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Supervisors
Marion County Soil and Water Conservation District
Ocala, Florida

We have examined the Marion County Soil and Water Conservation District's compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Greenlee, Kurras, Rice & Brown, P.A.

June 5, 2015

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