

VERNON COMMUNITY ACTION COUNCIL, INC.
Leesville, Louisiana

Financial Statements
December 31, 2017

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Broussard & Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vernon Community Action Council, Inc.
Leesville, Louisiana

We have audited the accompanying financial statements of Vernon Community Action Council, Inc. (a non-profit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 Vernon Community Action Council, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2018, on our consideration of Vernon Community Action Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provision 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 Vernon Community Action Council, Inc.'s internal control over financial reporting and compliance.

Broussard and Company

Lake Charles, Louisiana
June 29, 2018

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Financial Position
As of December 31, 2017

Assets

Current Assets:	
Cash	\$ 45,244
Grant receivables	49,451
Land held for sale	60,000
Prepaid insurance	<u>5,316</u>
Total Current Assets	<u>160,011</u>
 Noncurrent Assets:	
Fixed assets	334,441
Accumulated depreciation	<u>(146,976)</u>
Total Noncurrent Assets	<u>187,465</u>
 Total Assets	 <u><u>\$ 347,476</u></u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 13,245
Accrued liabilities	180,843
Note payable, current portion	<u>5,022</u>
Total Current Liabilities	<u>199,110</u>
 Long-term Liabilities	
Note payable, net of current portion	<u>39,800</u>
 Total Liabilities	 <u>238,910</u>
 Net Assets - Unrestricted	 <u>108,566</u>
 Total Liabilities and Net Assets	 <u><u>\$ 347,476</u></u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Activities
For The Year Ended December 31, 2017

Support:

Governmental Grants	\$	370,940
Miscellaneous Revenues		110,987
		110,987
Total Support		481,927

Expenses:

Local		35,100
ESG		36,864
Charitable Gaming		95,560
WAP		184,143
CSBG		151,528
LIHEAP		38,180
		38,180
Total Expenses		541,375

Change in Net Assets		(59,448)
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Net Assets - Unrestricted, Beginning of Period		168,014
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Net Assets - Unrestricted, End of Period		\$ 108,566
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The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Cash Flows
For The Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from supporters, grants, programs, fees	\$ 553,122
Cash paid to employees, suppliers, and for programs	<u>(538,559)</u>
Net Cash Provided (Used) by Operating Activities	<u>14,563</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on note payable	<u>(4,799)</u>
Net Cash Provided (Used) by Financing Activities	<u>(4,799)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,764
CASH AT BEGINNING OF YEAR	<u>35,480</u>
CASH AT END OF YEAR	<u><u>\$ 45,244</u></u>
 RECONCILIATION OF INCREASE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Increase (decrease) in unrestricted net assets	(59,448)
Adjustments to reconcile changes in excess of revenue and support over expenses to net cash provided by operating activities:	
Depreciation	-
(Increase) decrease in receivables and prepaid expenses	10,069
Increase (decrease) in accounts payable and payroll liabilities	<u>63,942</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 14,563</u></u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Functional Expenses
For The Year Ended December 31, 2017

	<u>Local</u>	<u>ESG</u>	<u>Charitable Gaming</u>	<u>WAP</u>	<u>CSBG</u>	<u>LIHEAP</u>	<u>TOTAL</u>
Salaries	\$ 16,734	\$ 15,037	\$ -	\$ 68,200	\$ 87,617	\$ 27,055	\$ 214,643
Payroll taxes and withholdings	10,314	940	-	4,275	6,473	1,572	\$ 23,574
Insurance	-	3,117	-	11,326	18,755	1,673	\$ 34,871
Utility assistance	-	-	-	-	-	647	\$ 647
Operations	695	-	39,244	-	-	-	\$ 39,939
Professional fees/contracts	-	285	1,776	2,250	4,902	-	\$ 9,213
Miscellaneous	3,643	2,220	4,581	1,149	3,308	355	\$ 15,256
Rent	-	5,784	48,480	1,813	8,608	4,486	\$ 69,171
Repairs and maintenance	521	128	-	1,072	-	-	\$ 1,721
Seminars and workshops	2,764	-	-	951	7,842	103	\$ 11,660
Supplies and materials	284	203	1,479	89,698	2,125	1,100	\$ 94,889
Travel	145	-	-	537	3,330	-	\$ 4,012
Utilities	-	9,150	-	2,872	8,568	1,189	\$ 21,779
Total Expenses	<u>\$ 35,100</u>	<u>\$ 36,864</u>	<u>\$ 95,560</u>	<u>\$ 184,143</u>	<u>\$ 151,528</u>	<u>\$ 38,180</u>	<u>\$ 541,375</u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2017

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Nature of Organization

The Vernon community Action Council, Inc., (Council) is a non-profit corporation incorporated to strengthen and preserve the dignity and economic mix of the parish. The work of the corporation significantly affects three level of community life: helping individuals and families with housing and social services; establishing other programs designed to meet pressing community needs. The Council is exempt from state and federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Council's open audit periods are form 2014 through 2017. The Internal Revenue Service audited the Council's 2013 Form 990 and assessed approximately \$11,000 in taxes and unrelated business income. The Council has not agreed with this position.

The Council operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor, disadvantaged, and unemployed in Vernon Parish. The Council administers the following programs shown for the year ended December 31, 2017:

Community Services Block Grant (CSBG) Administers various programs to fulfill responsibilities and provide assistance to the poor, disadvantaged, and unemployed through housing services, community projects, nutrition services, emergency assistance, employment services, transportation services and other services. Funding is provided by federal funds passed through the State of Louisiana, Department of Labor.

Supportive Housing Grant (HUD) Provides housing and services to assist homeless persons in the transition from homelessness and enable them to live independently. Funding is provided through federal funds form the U.S. Department of Housing and Urban Development.

Weatherization Assistance Program (WAP) Provides assistance to weatherize (insulate) the dwellings of low-income persons, particularly the elderly and handicapped low-income, in order to conserve needed energy and aid those person least able to afford higher utility costs. Funding is provided by federal funds passed through the Louisiana Housing Finance Council and the Louisiana Community Action Partnership.

Low-Income Energy Assistance (LIHEAP) Program provides assistance in the form of an energy payment to a vendor on behalf of hardship households and energy conservation education. Funding is provided by federal funds passed through the Louisiana Housing Finance Council and the Louisiana Community Action Partnership.

Emergency Shelter Grants Program (ESG) Program is designed to help improve the quality of existing emergency shelters for the homeless individuals and families, make available additional emergency shelters, and meet the costs of operating emergency shelters and of providing essential social services to homeless individual and families.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America. The Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Council does not have any temporarily or permanently restricted net assets. Grants restricted by grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants are recognized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Council consider all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

It is the Council's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

VERNON COMMUNITY ACTION COUNCIL, INC
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Funding Policies

The Council receives their monies through basically three methods of funding. Most of the funds are obtained through grants. Under this method, funds are received on a monthly allocation of the total budget in advance of the actual expenditure. The Council also received funds as a reimbursement of actual expenditures. The other method by which the Council received funding is through private and in-kind contributions.

Compensated Absences

Employees accrue vacation leave based on years of service. Employees with more than ten years of service may carry over unused personal time off to the next calendar year at maximum of 240 hours. Accrued vacation leave totaled \$-0- as of December 31, 2017.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deposits with Financial Institutions

The Council's bank balances of deposits with financial institutions at December 31, 2017 were fully insured by the Federal Deposit Insurance Corporation.

Note 2 - Board Members

During the period covered by our audit, there were no payments made to or on behalf of board members.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Claims and Contingencies

The Council receives revenues from various Federal and State grant programs which are subject to final review and approval as to allow ability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and the Council.

Note 4 - Economic Dependency

The Council receives the majority of its revenue from funds provided through grants. The grant amounts are appropriated each year by the Federal and State governments. The significant budget cuts are made at the Federal and/or State level, the amount of funds the association receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Council will receive in the next fiscal year.

Note 5 - Grants Receivable

Grants receivable represent amounts that have been expended for grant purposes and are to be reimbursed by the grantor. Management considers all receivables to be collectible. Therefore, no allowance for doubtful accounts has been established.

Grants receivable at December 31, 2017 consisted of the following:

CSBG	\$	3,657
Local		1,750
Charitable Gaming		9,002
WAP		18,603
ESG		16,439
		<hr/>
	\$	49,451
		<hr/> <hr/>

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2017

Note 6 - Property and Equipment

Property and equipment consist of the following:

Land	\$	22,747
Buildings		207,718
Equipment		36,323
Furniture and fixtures		7,231
Vehicles		60,422
Less: Accumulated depreciation		(146,976)
	\$	187,465

Property and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation of property and equipment is computed principally by the straight-line method over 5 – 27 years. Depreciation expense totaled \$0 for the year ending December 31, 2017.

Land donated in previous years is currently being marketed. Management expects the sale to occur before December 31, 2018. The donated appraised value of the land was \$60,000.

Note 7 - Risk Management

The Council is exposed to various risks of loss related to torts, theft or damage and destruction of assets, error and omissions, injuries to employees, and natural disasters. The Council carries commercial insurance for these risks.

Note 8 - Fair Values of Financial Instruments

The Council has a number of financial instruments, none of which is held for trading purposes. The Council estimates that the fair value of all financial instruments at December 31, 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Council using available market information and appropriate valuation methodologies. Considerable judgement is necessarily required in interpreting market data to develop the estimate of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Council could realize in a current market exchange. The recorded values of cash, receivables, and prepaid expenses, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2017

Note 9 - Note Payable

The Council has an obligation to a bank bearing interest of 6.5%. The loan is payable in monthly installments of \$653, including interest, and is secured by real estate.

Loan maturities for each of the five years following December 31, 2017:

2018	\$	5,022
2019		5,440
2020		5,799
2021		6,182
2022		6,590
Thereafter		<u>15,789</u>
Total	\$	<u>44,822</u>

Note 10 - Building Lease

The Council entered into a lease of a building for a period of three years with an effective date of April 2016. The lease amount is \$1,100 per month with an option to renew for three years at \$1,100 per month. Future minimum lease payments at December 31, 2017 are \$13,200 for years 2018 and 2019.

Note 11 - Subsequent Events

The council evaluated its December 31, 2017 financial statements for subsequent events through June 29, 2018, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the financial statements, other than those matters in the preceding paragraph.

Note 12 - Other Liabilities

Other liabilities include back payroll taxes and withholdings, accrued wages and a credit card balance. Subsequent to year end and as of the date the financial statements were available for issue, the Council has made significant payments on these liabilities

VERNON COMMUNITY ACTION COUNCIL, INC.
 Schedule of compensation, Benefits and Other Payments to Executive Director
 December 31, 2017

Agency Head Name: Renee Brannon, Executive Director

Purpose	Amount
Salary	\$ 56,268
Benefits-insurance	\$ -
Benefits-retirement	\$ -
Benefits (other)	\$ -
Car allowance	\$ -
Reimbursements (meals)	\$ 588
Travel	\$ 1,237
Registration fees	\$ 640
Conference travel (air fare)	\$ -
Housing/Hotel	\$ 1,396



Broussard & Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REVIEW 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
Vernon Community Action Council, Inc.
Leesville, Louisiana

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 Vernon Community Action Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018.

Internal control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vernon Community Action Council, Inc.'s internal control over financial reporting 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 Vernon Community Action Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Vernon Community Council Inc.'s internal control.

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. However, as described in the accompanying schedule of finding and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exist 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 on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness (2017-02).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2017-01).

Board of Directors
Vernon Community Action Council, Inc.
Leesville, Louisiana
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon Community Action Council, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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.

Vernon Community Action Council, Inc.'s Response to Findings

Vernon Community Action Council, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Vernon Community Action Council Inc.'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 the 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Broussard and Company

Lake Charles, Louisiana
June 29, 2018

VERNON COMMUNITY ACTION COUNCIL, INC.
Schedule of Finding and Questioned Costs
Year Ended December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued			Unmodified
Internal control over financial reporting:			
Material weaknesses identified?	<u> X </u>	Yes	_____ No
Significant deficiencies identified no			
Considered to be material weaknesses?	<u> X </u>	Yes	_____ No
Noncompliance material to financial			
Statements noted?	_____	Yes	<u> X </u> No

VERNON COMMUNITY ACTION COUNCIL, INC.
Schedule of Finding and Questioned Costs
Year Ended December 31, 2017

SECTION II – CURRENT YEAR FINDINGS AND QUESTIONED COSTS

(2017-01) SIGNIFICANT DEFICIENCY – Financial Statement Reporting

Condition:

The Organization maintains its books and records on the modified cash basis of accounting. The Organization relies on the auditing firm to prepare the external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Organization's internal control structure and because of the limitations of the accounting staff, the design of the Organization's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Criteria:

Internal controls should be in place that provide reasonable assurance that management review of financial results occurs in order to minimize the risk of a material misstatement.

Cause:

Financial statements encompassing Vernon Community Action Council's entire operations are not produced.

Effect:

Material misstatements in Vernon Community Action Council's financial statements could occur.

Corrective Action:

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

(2017-02) MATERIAL WEAKNESS - Late Payroll Tax Payments

Condition:

Due to periods of cash shortages, payments of federal and state payroll taxes were paid late various times throughout 2017. These late payments resulted in penalties and interest. This is a repeat finding.

Criteria:

Internal controls should be in place to provide reasonable assurance that the agency is in compliance with all federal and state payroll tax requirements and deadlines.

Cause:

Payments of federal and state payroll taxes were paid late.

Effect:

Late payments result in penalties and interest to be paid by Vernon Community Action Council, Inc.

Corrective Action:

Management is presently working on payment arrangements with the State of Louisiana and is in the process of marketing some of its property to pay the past due federal payroll tax payments.

VERNON COMMUNITY ACTION COUNCIL, INC.
Prior Year Finding and Questioned Costs
Year Ended December 31, 2017

SECTION III – PRIOR YEAR FINDINGS

(2016-01) SIGNIFICANT DEFICIENCY - Financial Statement Reporting

This is the same as the above current finding.

(2016-02) MATERIAL WEAKNESS – Late Payroll Tax Payments

This is the same as the above current finding.

(2016-03) SIGNIFICANT DEFICIENCY – Fixed Assets Not Recorded

The Council corrected this in the prior year and this is not a repeat finding.