

E911/E311 FUND

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
(WITH REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS)**



**FISCAL YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

**DANIEL W. LUCAS
INSPECTOR GENERAL**

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- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General



Inspector General

March 31, 2016

The Honorable Muriel Bowser
Mayor of the District of Columbia
Mayor's Correspondence Unit
1350 Pennsylvania Avenue, N.W., Suite 304
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report issued by SB & Company, LLC (SBC) on the District's E911/E311 Fund financial statement for the years ended September 30, 2015, and 2014 (OIG No. 16-1-09UC). SBC submitted this component report as part of our overall contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2015.

SBC opined that the Fund's financial statements present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America. SBC identified no weaknesses in internal control.

If you have any questions or need additional information, please contact me or Toayoa D. Aldridge, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Lucas", is positioned above the typed name.

Daniel W. Lucas
Inspector General

DWL/lw

Enclosure

cc: See Distribution List

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SEPTEMBER 30, 2015 and 2014

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Mayor and Members of
The Council of the Government of the District of Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of the Government of the District of Columbia E911/E311 Fund (the Fund), a part of the General Fund of the District of Columbia, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these basic 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 basic 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 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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Fund are intended to present only the Fund and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia as of September 30, 2015 and 2014, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Other Matters

Prior Year Balances

The financial statements of the Fund as of and for the year ended September 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on January 28, 2015.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5, and budgetary comparison schedule on page 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historic 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 January 27, 2016, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 Fund's internal control over financial reporting and compliance.

Washington, D.C.
January 27, 2016

A handwritten signature in cursive script that reads "SB & Company, LLC".

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Management's Discussion and Analysis
September 30, 2015 and 2014**

The following is a discussion and analysis of the Government of the District of Columbia (District) E911/E311 Fund's (Fund) financial performance for the fiscal years ended September 30, 2015 and 2014. The Office of Unified Communications, which is an independent District agency, is responsible for the administration of the Fund. The financial statements and accompanying notes on pages 8 through 9 should be read in conjunction with this discussion.

Basic Financial Statements

The Fund's basic financial statements are comprised of two components: fund financial statements and notes to the financial statements.

- **Fund Financial Statements.** The governmental financial statements focus primarily on the sources, uses, and balances of current financial resources. The financial statements consist of a balance sheet and statement of revenues, expenditures, and changes in fund balances.
- **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Financial Highlights

2015

- Pooled Cash decreased by \$2,380,321 or -18.45%. The decrease was due to additional cash expenditures in fiscal year 2015.
- Due from the District's General Fund decreased by \$1,025,319 or -95.69%. In fiscal year 2014, the District received a multiyear settlement from steam revenue for \$1,071,455. In fiscal year 2015, the District only received payment \$518,136 for a single year. The District also reduced a receivable due from the District's General Fund for \$472,000.
- Overall expenditures increased by \$4,051,778 or 41.56% due to increased purchases related to technology, including radio upgrades.

2014

- Vouchers Payable decreased by \$1,790,379 or -58.84%. Vouchers payables represent payments that are processed in fiscal year 2014 which will not be paid out until fiscal year 2015. Due to more timely receipt of vendor invoices more payments were processed during fiscal year 2014.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Management's Discussion and Analysis
September 30, 2015 and 2014**

Condensed Balance Sheets as of September 30, 2015, 2014, and 2013

				2015 - 2014		2014 - 2013	
	2015	2014	2013	Variance	%	Variance	%
Total Assets	\$ 13,698,628	\$ 15,961,311	\$ 15,148,141	\$ (2,262,683)	-14.18%	\$ 813,170	5.37%
Total Liabilities	\$ 1,311,050	\$ 1,252,430	\$ 3,042,809	\$ 58,620	4.68%	\$ (1,790,379)	-58.84%
Fund Balance	\$ 12,387,578	\$ 14,708,881	\$ 12,105,332	\$ (2,321,303)	-15.78%	\$ 2,603,549	21.51%

2015

- **Assets** – A decrease in total assets by \$2,262,683 or -14.18% in fiscal year 2015 is attributed to increased expenditures related to technology upgrades during fiscal year 2015.
- **Liabilities** – The liabilities increased in fiscal year 2015 by \$58,620 or 4.68%

2014

- **Assets** – An increase in total assets by \$813,170 or 5.37% over fiscal year 2013 is attributed to a \$472,000 reduction in the amount due from the District's General Fund. The remaining \$394,000 is the result of less revenue collections from fiscal year 2013 to fiscal year 2014.
- **Liabilities** – The liabilities decreased in fiscal year 2014 over fiscal year 2013 \$1,790,379 or 58.84% due to more timely receipt of vendor invoices.

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance for the Year Ended September 30, 2015, 2014, and 2013

	2015	2014	2013	FY 2015 - FY 2014		FY 2014 - FY 2013	
				Variance	Variance %	Variance	Variance %
Revenue							
User Fees	\$ 11,421,834	\$ 11,273,749	\$ 11,991,135	\$ 148,085	1.31%	\$ (717,386)	-5.98%
Total Revenue	11,421,834	11,273,749	11,991,135	148,085	1.31%	(717,386)	-5.98%
Expenditures							
Telephone, Teletype, Telegram	1,387,924	1,239,859	1,036,811	148,065	11.94%	203,048	19.58%
Professional Fees	3,523,720	3,263,501	3,034,619	260,219	7.97%	228,882	7.54%
Contractual Services	1,429,175	1,358,331	1,455,983	70,844	5.22%	(97,652)	-6.71%
Information Technology	7,073,199	3,751,850	4,461,904	3,321,349	88.53%	(710,054)	-15.91%
Others*	388,086	136,785	365,642	251,301	183.72%	(228,857)	-62.59%
Total Expenditures	13,802,104	9,750,326	10,354,959	4,051,778	41.56%	(604,633)	-5.84%
Other Financing Surces (Uses)							
Transfer from General Fund	46,136	1,071,455	-	(1,025,319)	-95.69%	1,071,455	0.00%
Interest Income	12,832	8,671	16,802	4,161	47.99%	(8,131)	-48.39%
Total Other Financing Sources (Uses)	58,968	1,080,126	16,802	(1,021,158)	-94.54%	1,063,324	6328.56%
Net Change in Fund Balance	(2,321,302)	2,603,549	1,652,978	\$ (4,924,851)	-189.16%	\$ 950,571	57.51%
Beginning Fund Balance - October 1	14,708,881	12,105,332	10,452,354				
Ending Fund Balance - September 30	\$ 12,387,579	\$ 14,708,881	\$ 12,105,332				

Other* - Supplies + Travel + Maintenance + Tuition + F&F + E&M + Other Equipment

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Management's Discussion and Analysis
September 30, 2015 and 2014**

2015

- **Revenue** – The Fund assesses user fees to carriers. The fiscal year 2015 fees totaled \$11,421,834 which was an increase of \$148,085 or 1.31%. The increase in user fees is mainly attributed to an increase in the number of wireless and VoIP lines. More consumers are using wireless telephones in the home.
- **Expenditures** – Overall expenditures increased by \$4,051,778 or 41.56% due to increased purchases related to technology, including radio upgrades.
- **Transfers** – Transfers from other funds decreased by \$1,025,319 or -95.69%. In fiscal year 2014, the fund received a transfer for steam use as part of a multiyear settlement. The Fund received a single year transfer in fiscal year 2015 for \$518,136. A receivable of \$472,000 was recorded in fiscal year 2012; however, it was removed in fiscal year 2015 due to a legal opinion.

2014

- **Expenditures**
 - *Telephone, Teletype, and Telegram, Etc.:* The Fund had an increase in expenditures of \$203,048 due to higher costs related to Requests for Telephone Service (RTS) and reoccurring telecommunications charges from the Fund.
 - *Information and Technology and Other:* During fiscal year 2014, the Fund recognized an increase in expenditures due to acquisition of new IT equipment. As a result of the IT upgrade, the Fund recognized a decrease in IT maintenance costs. The net of the current year activity led to at 15.9% reduction in overall cost.
 - *Other Expenditures:* Fiscal year 2014 showed a decrease in expenditures of \$228,857. During fiscal year 2013, furniture and equipment was purchased for \$283,599. In fiscal year 2014 only \$40,397 was purchased.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Balance Sheets
As of September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Pooled Cash	\$ 10,519,513	\$ 12,899,834
Accounts Receivable	2,660,979	2,589,477
Due from District's General Fund	518,136	472,000
Total Assets	<u>\$ 13,698,628</u>	<u>\$ 15,961,311</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
	\$ 1,311,050	\$ 1,252,430
Total Liabilities	<u>1,311,050</u>	<u>1,252,430</u>
Fund Balance		
Restricted	<u>12,387,578</u>	<u>14,708,881</u>
Total Fund Balance	<u>12,387,578</u>	<u>14,708,881</u>
Total Liabilities and Fund Balance	<u>\$ 13,698,628</u>	<u>\$ 15,961,311</u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Statements of Revenues, Expenditures, and Changes In Fund Balance
For the Fiscal Years Ended September 30, 2015 And 2014**

	<u>2015</u>	<u>2014</u>
Revenue:		
Wireline, Wireless, and VoIP User Fees	\$ 10,791,246	\$ 10,697,938
Prepaid Wireless, and Internet User Fees	<u>630,588</u>	<u>575,811</u>
Total Revenue	<u>11,421,834</u>	<u>11,273,749</u>
Expenditures:		
Supplies	39,018	78,209
Telephone, Teletype, Telegram, Etc	1,387,924	1,239,859
Travel	1,895	10,406
Maintenance and Repairs - Machinery	4,190	-
Professional Services	3,523,720	3,263,501
Contractual Services	1,429,175	1,358,331
Office Support	-	-
IT Training	20,400	31,622
Tuition Reimbursement	102,369	-
IT Hardware Maintenance	75,221	16,625
IT Software Maintenance	5,554,821	891,448
IT Assessment	194,534	256,156
Furniture and Fixtures	135,842	40,397
Equipment and Machinery	60,973	7,773
Other Equipment	43,800	-
IT Hardware Acquisitions	733,497	2,538,426
IT Software Acquisitions	494,726	17,573
Total Expenditures	<u>13,802,105</u>	<u>9,750,326</u>
Excess of Revenue Over Expenditures	(2,380,271)	1,523,423
Other Financing Sources		
Transfer from the District's General Fund	46,136	1,071,455
Interest Income	<u>12,832</u>	<u>8,671</u>
Total Other Financing Sources	<u>58,968</u>	<u>1,080,126</u>
Net Change in Fund Balance	(2,321,303)	2,603,549
Beginning Fund Balance at October 1	<u>14,708,881</u>	<u>12,105,332</u>
Ending Fund Balance, at September 30	<u>\$ 12,387,578</u>	<u>\$ 14,708,881</u>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Notes To Financial Statements
September 30, 2015 and 2014**

1. DESCRIPTION OF FUND

The Emergency and Non-Emergency Number Telephone Calling Systems Fund (the “Fund”) was created on August 11, 2000 pursuant to the Emergency and Non-Emergency Telephone Calling Systems Fund Act of 2000 (the “Act”). The Fund is part of the General Fund of the District of Columbia (the “District”) and is funded by user fees imposed by the Act. The user fees are collected from providers who have subscribers with wireless, wireline, and voice over internet protocol (VoIP) services. Effective October 1, 2010, the Fund began collecting fees from providers who sell prepaid wireless services. The Office of Unified Communications (OUC), an independent District agency, is responsible for the administration of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• ***Reporting Entity***

The Fund is part of the General Fund of the District. These financial statements present only the Fund and are not intended to present fairly the financial position or changes in financial position of the District as a whole in conformity with accounting principles generally accepted in the United States of America.

• ***Measurement Focus and Basis of Accounting***

The financial statements are accounted for using the flow of current financial resources measurement focus and the modified basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, any revenues collected within 60 days after year-end is considered available to pay liabilities of the Fund. Expenditures are recorded when the liability is incurred.

• ***Estimates***

The preparation of the 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 reported amounts of assets and liabilities. These estimates also affect the contingent assets and liabilities at the date of the financial statements and the reported amounts of receivables and expenses during the period. Accordingly, actual results could differ from those estimates.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Notes To Financial Statements
September 30, 2015 and 2014**

3. POOLED CASH

The Fund's cash is deposited into an invested pooled account with the District. In accordance with District policies, substantially all of its deposits were insured or collateralized with securities held by the District or by its agent in the name of the District.

As required by D.C. Law 34-1802, the District allocates to the Fund its share of interest income earned from the pooled account. In fiscal year 2015, interest income allocated to the Fund totaled \$12,832. At September 30, 2015 and 2014, the Fund's pooled cash with the District totaled \$10,519,513 and \$12,899,834, respectively.

4. ACCOUNTS RECEIVABLE

Accounts receivable represents an estimate of fourth quarter fees owed by carriers. At September 30, 2015 and 2014, accounts receivable was estimated at \$2,660,979 and \$2,589,477 respectively.

5. DUE FROM DISTRICT'S GENERAL FUND

A receivable from the District's General Fund of \$518,136 was recorded in the financial statements as of September 30, 2015; which represents steam revenue. The receivable from the District's General Fund was reduced by \$472,000 due to a legal opinion received during fiscal year 2015.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Budgetary Comparison Schedule
For the Year Ended September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
User Fees	\$ 13,882,454	\$ 11,421,834	\$ 2,460,620
Total Revenues	<u>13,882,454</u>	<u>11,421,834</u>	<u>\$ 2,460,620</u>
Expenditures			
Supplies	86,525	39,018	47,507
Telephone, Teletype, Telegram, Etc	1,128,424	1,387,924	(259,500)
Travel	-	1,895	(1,895)
Maintenance and Repairs - Machinery	28,616	4,190	24,426
Professional Services	3,016,717	3,523,720	(507,003)
Contractual Services	1,403,000	1,429,175	(26,175)
IT Training	50,000	20,400	29,600
Tuition Reimbursement	-	102,369	(102,369)
IT Hardware Maintenance	1,700,000	75,221	1,624,779
IT Software Maintenance	4,820,000	5,554,821	(734,821)
IT Assessment	194,534	194,534	-
IT Hardware Acquisitions	1,448,938	733,497	715,441
IT Software Acquisitions	-	494,726	(494,726)
Furniture and Fixtures	-	135,842	(135,842)
Equipment and Machinery	-	60,973	(60,973)
Other Equipment	-	43,800	(43,800)
Office Support	5,700	-	5,700
Total Expenditures	<u>13,882,454</u>	<u>13,802,105</u>	<u>80,350</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (2,380,271)</u>	<u>\$ 2,380,271</u>

The accompanying note is an integral part of the schedule.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

**Note to the Budgetary Comparison Schedule
For the Year Ended September 30, 2015**

1. BUDGET BASIS

The Fund has a legal adopted budget approved by the District's City Council. Pursuant to the Reprogramming Policy Act, the District may reallocate budget amounts within an appropriation title. No reallocations occurred within the Fund in fiscal year 2015. The budgetary comparison schedule has been prepared in accordance with the accounting principles generally accepted in the United States of America.



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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*

The Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Government of the District of Columbia's E911/E311 Fund (the Fund) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 27, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Fund’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 Fund’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.
January 27, 2016

A handwritten signature in cursive script that reads "SB & Company, LLC".