

PARK CITY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2014

TABLE OF CONTENTS

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
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 <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	5
Summary Schedule of Prior Audit Findings	8
Schedule of Findings and Questioned Costs	9
Schedule of Expenditures of State Awards	10
Independent Auditor's Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Awards Required by the <i>State Compliance Audit Guide</i>	11
Letter to Management	14

PARK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Revenue Code	District's Program Number	Receivable (Unearned) June 30, 2013	Receipts	Expenditures	Receivable (Unearned) June 30, 2014
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through Utah State Office of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	46	8074	\$ 2,955	\$ 81,206	\$ 80,977	\$ 2,726
National School Lunch Program	10.555	46	8071	-	112,770	112,770	-
National School Lunch Program	10.555	46	8072	12,112	354,216	354,422	12,318
National School Lunch Program	10.555	46	8075	-	12,736	12,736	-
National School Lunch Program (Commodities)	10.555		8001	-	88,019	88,019	-
Child Nutrition Discretionary Grants Limited Availability	10.579	42	8079	-	2,835	2,835	-
Passed through Summit County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665		9999	-	46,367	46,367	-
				15,067	698,149	698,126	15,044
U.S. DEPARTMENT OF EDUCATION:							
Passed through Utah State Office of Education:							
Title I Grants to Local Education Agencies	84.010	08	7801	126,745	246,902	249,269	129,112
<i>Special Education (IDEA) Cluster:</i>							
Special Education - Grants to States	84.027	19	7524	196,563	627,307	674,334	243,590
Special Education - Preschool Grants	84.173	52	7522	19,491	19,491	17,904	17,904
Career and Technical Education - Basic Grants to States	84.048	21	6043	32,933	32,933	30,248	30,248
English Language Acquisition State Grants	84.365	73	7880	16,432	40,541	40,247	16,138
Improving Teacher Quality State Grants	84.367	74	7860	52,074	55,894	42,326	38,506
				444,238	1,023,068	1,054,328	475,498
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:							
Passed through Ogden School District:							
AmeriCorps	94.006		7601	4,082	18,346	14,264	-
Total federal awards				\$ 463,387	\$ 1,739,563	\$ 1,766,718	\$ 490,542

See notes to schedule of expenditures of federal awards.

PARK CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. **General** – The schedule of expenditures of federal awards presents the activity of all federal award programs of Park City School District (the District). The District reporting entity is defined in Note 1 to the District’s basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial assistance passed through from other government agencies are included on the schedule.

Note B. **Basis of Accounting** – The accompanying schedule of expenditures of federal awards is reported using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the District’s basic financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as unearned revenue. Donated food commodities are recorded at fair value in the *school food services fund* as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption and totaled \$88,019 for the year ended June 30, 2014.

Note C. **Relationship to District’s Financial Statements** – A reconciliation of federal revenue reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2014 is as follows:

General fund	\$ 1,082,791
Special revenue funds:	
Non K-12 programs	32,167
Food services	<u>651,760</u>
Total federal revenue reported on schedule of expenditures and federal awards (SEFA)	<u><u>\$ 1,766,718</u></u>



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Park City School District

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 governmental activities, each major fund, and the aggregate remaining fund information of Park City School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Agui & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah
November 7, 2014



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Education
Park City School District

Report on Compliance for Each Major Federal Program

We have audited the compliance of Park City School District (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Park City School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Park City School District's basic financial statements. We have issued our report thereon dated November 7, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Agui & Company, PC

Orem, Utah
November 7, 2014

PARK CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

No findings were reported in the prior year.

PARK CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? ___ yes X no
- Significant deficiencies identified that are
not considered to be material weaknesses? ___ yes X none reported
- Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ___ yes X no
- Significant deficiencies identified that are
not considered to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<i>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National school Lunch Program
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ yes X no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.

PARK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2014

State Grantor Agency / Program Title	Program Number	Year Last Audited	Receivable (Unearned) June 30, 2013	Received	Expended	Receivable (Unearned) June 30, 2014
State Awards:						
State of Utah Office of Education:						
Minimum School Program (per schedule)	Various	2014	\$ (266,156)	\$ 42,979,196	\$ 42,917,717	\$ (327,635)
Minimum School Program Generated by Basic Levy			-	(39,555,192)	(39,555,192)	-
Total Minimum School Program revenue			(266,156)	3,424,004	3,362,525	(327,635)
Utah Performance Assessment System for Students (U-PASS)	5699	n/a	-	20,614	16,212	(4,402)
Professional Development	5618	n/a	-	-	11,850	11,850
Student Leadership	5816	n/a	-	-	4,999	4,999
State of Utah Department of Workforce Services:						
Park City Center for Advanced Professional Studies	0517	n/a	53,683	128,681	76,383	1,385
Total expenditures of state awards			(212,473)	3,573,299	3,471,969	(313,803)
State Funding Tested with Federal Programs:						
State of Utah Office of Education:						
School Lunch Program (Liquor Control Tax)	8070	2013 *	94,581	208,172	211,863	98,272
Total state revenue (per statement of activities)			\$ (117,892)	\$ 3,781,471	\$ 3,683,832	\$ (215,531)

* Compliance is audited with federal *Child Nutrition Cluster* programs as part of the federal compliance audit.

This schedule is reported using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the District's basic financial statements.



Independent Auditor’s Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Awards Required by the *State Compliance Audit Guide*

Board of Education
Park City School District

Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program

We have audited the compliance of Park City School District (the District) with the general and major state program compliance requirements described in the *State Compliance Audit Guide* for the year ended June 30, 2014.

General state compliance requirements tested for the year ended June 30, 2014 are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Locally Generated Taxes
- Nepotism
- Utah Public Finance Website

The District’s state awards (passed through the State of Utah Office of Education) classified as major programs for the year ended June 30, 2014 are as follows:

- Minimum School Program

Management’s Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the District’s compliance based on our audit of the compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material

effect on a general state compliance requirement or a major state program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each general state compliance requirement tested and each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each General State Compliance Requirement Tested and Each Major State Program

In our opinion, Park City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each general compliance requirement tested and on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state requirements that could have a direct and material effect on each general state compliance requirement tested and each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each general state compliance requirement tested and each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards in Accordance with the *State Compliance Audit Guide*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated November 7, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis in accordance with the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Agui & Company, PC

Orem, Utah
November 7, 2014



Letter to Management

Board of Education
Park City School District

In planning and performing our audit of the basic financial statements of Park City School District (the District) as of and for the year ended June 30, 2014, 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*, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated November 7, 2014, on the financial statements of the District. This letter accompanies our reports dated November 7, 2014, in accordance with *Government Auditing Standards*, OMB Circular A-133, and the *State Compliance Audit Guide*.

Certain Other Matters

Individual School Accounting – We visit several schools in the District each year. We focus on areas of financial accounting, equipment management, and membership accounting during our visits. Certain minor exceptions with established District policies and procedures were noted. We discussed these exceptions with school personnel at the completion of each visit. We have also reported our findings to District management. We encourage continued training of those involved in the accounting function at the schools.

Reporting Employee Benefits – We noted the value of certain employee reimbursements required to be reported on payroll forms was omitted. We recommend communication of such payments to payroll personnel for proper reporting.

Documentation of Journal Entry Review – Various individuals are assigned to compose and enter journal entries in the accounting system. Although reviews of such entries occur throughout the year, documentation of such reviews has not been included with the transactions. We encourage adequate documentation of reviews of journal entries.

New Accounting and Reporting Standards – Please note that several new accounting and reporting standards become effective in the near future, such as:

- GASB Statement No. 68, *Financial Reporting for Pensions—an amendment of GASB No.27* – Effective 2015. This Statement improves reporting by local governments for pensions. The District will be required to include its proportionate share of the net pension liability of cost-sharing plans in which the District participates. As reported by URS, the District’s portion of the collective net pension liability and deferred inflows of resources were \$25.6 million and \$8.8 million, respectively, on December 31, 2013. The District will need to determine an appropriate method of allocating this liability and deferral to its funds and functions. New disclosures and required supplementary information will also be included in the District’s financial report.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – Effective 2015. This Statement amends GASB Statement No. 68. The measurement date for deferred outflows/inflows of resources related to pensions will correspond with the reporting period for URS (December 31). The District will report any pension contributions made subsequent to the measurement date as deferred outflows of resources.

Management’s Response – We appreciate the matters brought to our attention and will review these comments with each school and appropriate individuals. Our audit committee has also considered these comments. Improvements will be implemented and monitored during the next fiscal year, as applicable.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control and compliance, or result in other operating efficiencies.

We appreciated working with and the assistance and responsiveness of District personnel during the audit. We also note management’s ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process. We are available to discuss these matters with you as needed.

This communication is intended solely for the information and use of management, the Board, and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.



Orem, Utah
November 7, 2014