

PARK CITY SCHOOL DISTRICT
SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

Year Ended June 30, 2006

PARK CITY SCHOOL DISTRICT
SINGLE AUDIT AND STATE LEGAL COMPLIANCE REPORTS
Table of Contents
Year Ended June 30, 2006

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	3
Independent Auditor's Report of Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	5
Summary Schedule of Prior Audit Findings	7
Schedule of Findings and Questioned Costs	8
Independent Auditor's Report on Legal Compliance in Accordance with the <i>State of Utah Legal Compliance Audit Guide</i>	10
Letter to Management	12

PARK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Grantor's Number	District's Program Number	(Deferral) Receivable July 1, 2005	Received	Expenditures	(Deferral) Receivable June 30, 2006
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through State Department of Education:							
Food Donation	10.550		8001	\$ -	\$ 53,285	\$ 53,285	\$ -
School Breakfast Program	10.553	44	8074	935	25,823	26,815	1,927
National School Lunch Program	10.555	42	8071	2,463	69,615	72,078	4,926
National School Lunch Program	10.555	43	8072	5,248	154,929	160,177	10,496
National School Lunch Program	10.555	43	8072	-	5,386	-	(5,386)
Special Milk Program For Children	10.556	41	8073	168	4,155	4,323	336
Special Milk Program For Children	10.556	41	8073	-	144	-	(144)
Fresh Fruit and Vegetable Program	10.582	51	8079	-	7,262	7,118	(144)
Passed Through Summit County							
Schools and Roads - Grants to States	10.665		9999	-	65,141	65,141	-
				<u>8,814</u>	<u>385,740</u>	<u>388,937</u>	<u>12,011</u>
U.S. DEPARTMENT OF EDUCATION:							
Passed Through State Board of Education:							
Adult Education - State Grant Program	84.002	33	7583	4,065	689	1,050	4,426
Title I Grants to Local Education Agencies	84.010	08	7801	173,489	-	247,490	420,979
Title I Grants to Local Education Agencies	84.010	08	7801	10,230	10,230	-	-
Fund for the Improvement of Education	84.215	14	7609	-	8,000	8,000	-
Special Education - Grants to States	84.027	19	7524	-	-	685,797	685,797
Special Education - Grants to States	84.027	19	7524	611,985	-	40,446	652,431
Special Education - Grants to States	84.027	19	7524	25,307	24,307	-	1,000
Vocational Education - Basic Grants to States	84.048	21	6043	39,192	38,117	31,477	32,552
Special Education - Preschool Grants	84.173	52	7522	-	28,090	28,090	-
Safe and Drug-Free Schools and Communities -							
State Grants	84.186	09	7890	(3,091)	12,348	-	(15,439)
Safe and Drug-Free Schools and Communities -							
State Grants	84.186	09	7890	(6,203)	-	6,192	(11)
State Grants for Innovative Programs	84.298	90	7930	9,235	22,703	28,130	14,662
State Grants for Innovative Programs	84.298	90	7930	4,986	-	-	4,986
Rural Education	84.358	10	7930	172	-	-	172
English Language Acquisition Grants	84.365	73	7880	13,911	-	35,202	49,113
English Language Acquisition Grants	84.365	73	7880	11,989	11,989	-	-
Educational Technology State Grants	84.318	07	7870	-	8,502	12,938	4,436
Improving Teacher Quality State Grants	84.367	74	7860	41,397	51,321	84,121	74,197
Improving Teacher Quality State Grants	84.367	74	7860	1,141	1,141	-	-
Passed Through Utah Valley State College:							
Tech-Prep Education	84.243		6350	(28,001)	(26,872)	1,094	(35)
				<u>909,804</u>	<u>190,564</u>	<u>1,210,027</u>	<u>1,929,266</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed Through Davis County School District:							
Head Start	93.600		7321	85,879	85,879	127,224	127,224
Total federal awards				<u>\$ 1,004,496</u>	<u>\$ 662,183</u>	<u>\$ 1,726,188</u>	<u>\$ 2,068,502</u>

See the accompanying notes to this schedule.

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 (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 presented 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.

Note C. **Relationship to District's Financial Statements** - Federal financial revenues for the year ended June 30, 2006, are reported in the District's financial statements by fund as summarized in the following schedule (this amount is reconciled to the Schedule of Expenditures of Federal Awards):

General Fund	\$ 1,235,980
Special Revenue Funds:	
Non K-12 Programs	156,364
Food Services	323,796
Capital Projects Fund	<u>22,926</u>
Total federal revenues per financial statements	1,739,066
Amounts not reported on Schedule:	
Medical Assistance Program	1,358
E Rate support	<u>11,520</u>
Total federal award revenues per Schedule	<u><u>\$ 1,726,188</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 the financial statements of Park City School District (District) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. 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

In planning and performing our audit, we considered Park City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows:

- 06-1 Certain accounts and programs were reconciled and adjusted after the end of the year. Also, certain transactions were recorded after the end of the year. We recommend all significant accounts and programs be reconciled monthly and transactions be recorded as they occur.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of Park City School District in a separate letter dated September 21, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park City School 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as follows:

- 06-2 Annual general fund expenditures exceeded the amount budgeted. We recommend actual expenditures be compared to amounts budgeted to ensure that expenditures do not exceed amounts budgeted. Fund budgets can be amended as provided by state rules.

We also noted certain additional matters that we have reported to management of Park City School District in a separate letter dated September 21, 2006.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



September 21, 2006



Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Education
Park City School District

Compliance

We have audited the compliance of the Park City School District (District) with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Park City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Park City School District's management. Our responsibility is to express an opinion on Park City School District's compliance based on our audit.

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 Park City School 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. Our audit does not provide a legal determination on Park City School District's compliance with those requirements.

In our opinion, Park City School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are described in the accompanying letter to management dated September 21, 2006.

Internal Control Over Compliance

The management of Park City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Park City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described as follows:

- 06-1 Certain accounts and programs were reconciled and adjusted after the end of the year. Also, certain transactions were recorded after the end of the year. We recommend all significant accounts and programs be reconciled monthly and transactions be recorded as they occur.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Park City School District as of and for the year ended June 30, 2006 and have issued our report thereon dated September 21, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



September 21, 2006

PARK CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

No matters were reported in the prior year.

PARK CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2006

II. Financial statement findings:

06-1 Certain accounts and programs were reconciled and adjusted after the end of the year. Also, certain transactions were recorded after the end of the year. We recommend all significant accounts and programs be reconciled monthly and transactions be recorded as they occur.

06-2 Annual general fund expenditures exceeded the amount budgeted. We recommend actual expenditures be compared to amounts budgeted to ensure that expenditures do not exceed amounts budgeted. Fund budgets can be amended as provided by state rules.

Views of Responsible Officials – Our audit committee has also considered this matter. Changes have been made in personnel and assignments. Processes will be applied to ensure accounts are reconciled monthly. Actual amounts will be compared with budgets each month. These improvements will be implemented and monitored during the next fiscal year.

III. Federal award findings and questioned costs:

06-1 Certain accounts and programs were reconciled and adjusted after the end of the year. Also, certain transactions were recorded after the end of the year. We recommend all significant accounts and programs be reconciled monthly and transactions be recorded as they occur.

Views of Responsible Officials – Our audit committee has also considered this matter. Changes have been made in personnel and assignments. Processes will be applied ensure accounts are reconciled monthly. These improvements will be implemented and monitored during the next fiscal year.



Independent Auditor's Report on Legal Compliance
in Accordance with the *State of Utah*
Legal Compliance Audit Guide

Board of Education
Park City School District

We have audited the basic financial statements of Park City School District for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2006. The District received the following major state assistance program from the State of Utah (passed through the State Office of Education):

Minimum School Program

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements; however, these programs were subject to test work as part of the audit of Park City School District's financial statements:

UPASS
Driver Education

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other General Compliance Issues

Management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with budget requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the noncompliance described in the preceding paragraph, Park City School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

Agui & Company, PC

September 21, 2006



Letter to Management

September 21, 2006

Board of Education
Park City School District

In planning and performing our audit of the financial statements of Park City School District for the year ended June 30, 2006, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 21, 2006 on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated September 21, 2006, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The following comments were noted for your consideration:

Each fund has a positive fund balance. Expenditures in the general fund, however, exceeded the total amount budgeted by \$488,458, or 1.5% of budgeted expenditures. This over expenditure was primarily due to adjusting health benefit costs for the year.

We visited five schools near the end of the school year. We reviewed financial, membership, and equipment records. We noted that certain schools could be more consistent in

- obtaining principal approvals for all expenditures,
- retaining adequate documentation of transactions,
- depositing cash within three days of receipt,
- reviewing monthly reconciliations,
- retaining support for exceptions to the 10-day membership rule,
- preparing backups of data files, and
- complying with District payroll and reporting policies.

Please note that the accounting and reporting for student activity accounts is undergoing a significant change. By fiscal year ending June 30, 2008, school districts are to report school activities (fees, gate receipts, vending, etc.) in a special revenue fund rather than within the agency fund. This means that revenues are to be captured by source and expenditures are to be recorded by object. This change will require updating the chart of accounts, budgeting school activities, and training of school secretaries. We encourage the District to get started now so that the schools will be ready to implement the change by July 1, 2007.

We performed agreed-upon procedures related to student membership, fall enrollment count, transfer student documentation, adult education data filed with the State Office of Education. We noted certain exceptions between what was reported to the state and what was recorded in the accounting system.

We noted that formal certifications as required by OMB Circular A-87 to support allocation of payroll costs to restricted federal programs began with the 2005-2006 year. We recommend that monthly certifications be obtained for individuals who work in more than one program and when at least one of the programs is federal. Again, this is required by OMB Circular A-87.

We noted certain vehicles still in use by the District that were not on the list of insured vehicles.

Each location should perform an annual inventory of capital assets and the inventory list should be reconciled with District records. An annual inventory improves the management of capital assets and is required by federal and state guidelines.

Requests for reimbursement of federal grant expenditures can be submitted more frequently during the year. Requests are to be based on recorded allowable program expenditures. Documentation should be retained to support each request.

We noted that the business administrator fidelity bond had not been updated to reflect the change in personnel during the year.

Each balance sheet account should be reconciled monthly. Specifically, cash, investment, prepaid, miscellaneous receivable, and payroll and related benefit liability accounts should be reconciled at least monthly. Other accounts such as inventories, grant receivables and deferrals, and fund balance reserves can be updated annually.

The tax rate in the debt service fund was decreased for the year ended June 30, 2006. As a result, the District transferred \$300,000 to the debt service fund from the general fund to cover a shortage in tax revenues collected for the debt service fund. The tax rate for 2007 was adjusted to satisfy the year's debt service requirements.

The District uses both the special transportation levy (activities and hazardous routes) and state pupil transportation (to and from school) revenues to provide for overall student transportation. These two revenue sources and related expenditures are to be kept separate to demonstrate that transportation funds are being used as allowed.

The District-wide cost allocation plan should be updated to clarify the reporting of direct and indirect costs and the consistent allocation of such costs to District programs and functions. Personnel and benefit costs should be allocated to functions and programs each month.

Programs should be reconciled monthly and reports should be distributed to program administrators each month.

Interest earnings are allocated in the financial statements to each fund based on the average cash and investment balance of the fund for the year. The District could calculate interest earnings by fund each month to provide a more accurate allocation.

Each component unit and each school should provide financial reports to the District periodically. Procedures should ensure that accounts are reconciled, information is received, and risks are monitored.

The District may want to look into the establishment of an internal service fund to accumulate resources needed for and to account for long-term employee benefits. An internal service fund employs the accrual basis of accounting (records benefits when earned) and would allow the District to invest fund resources long-term.

Views of Responsible Officials – We appreciate your concerns and will review these comments with each school or appropriate individual. Our audit committee has also considered these comments. Changes have been made in personnel and assignments. Improvements will be implemented and monitored during the next fiscal year, as applicable.

The status of these comments will be reviewed as part of your next audit. We recommend management establish monitoring policies and procedures to provide the District with reasonable assurance that the District complies with various state and federal program requirements. Monitoring includes ongoing evaluations, recommendations for improvement, timely response to necessary changes, and periodic reports to management and the Board.

We appreciated being able to work with the Board, audit committee, and management in the audit process.

Sincerely,

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, slightly stylized font.

Squire & Company, PC