

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

Year Ended June 30, 2007

**PARK CITY SCHOOL DISTRICT**  
**SINGLE AUDIT AND STATE LEGAL COMPLIANCE REPORTS**  
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Year Ended June 30, 2007

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**PARK CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2007

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Grantor's Number	District's Program Number	(Deferral) Receivable July 1, 2006	Received	Expenditures	(Deferral) Receivable June 30, 2007
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
Passed Through State Department of Education:							
Food Donation	10.550		8001	\$ -	\$ 75,732	\$ 75,732	\$ -
School Breakfast Program	10.553	44	8074	992	37,168	37,392	1,216
National School Lunch Program	10.555	42	8071	2,696	77,725	77,501	2,472
National School Lunch Program	10.555	43	8072	7,877	166,460	165,283	6,700
Special Milk Program For Children	10.556	41	8073	112	112	-	-
Fresh Fruit and Vegetable Program	10.582	51	8079	720	22,815	22,390	295
Passed Through Summit County:							
Schools and Roads - Grants to States	10.665		9999	-	65,505	65,505	-
				12,397	445,517	443,803	10,683
<b>U.S. DEPARTMENT OF EDUCATION:</b>							
Passed Through State Board of Education:							
Adult Education - State Grant Program	84.002	33	7583	361	361	-	-
Title I Grants to Local Education Agencies	84.010	08	7801	248,458	250,049	108,602	107,011
Special Education - Grants to States	84.027	19	7524	697,359	1,010,419	675,856	362,796
Vocational Education - Basic Grants to States	84.048	21	6043	-	38,610	38,610	-
Special Education - Preschool Grants	84.173	52	7522	-	-	13,395	13,395
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7890	(6,939)	16,238	24,636	1,459
Fund for the Improvement of Education	84.215	10	7930	-	-	5,295	5,295
Fund for the Improvement of Education	84.215	14	7609	8,000	8,000	-	-
State Grants for Innovative Programs	84.298	90	7920	12,662	12,662	6,376	6,376
Educational Technology State Grants	84.318	07	7870	4,436	4,436	1,141	1,141
English Language Acquisition Grants	84.365	73	7880	(2,927)	915	22,780	18,938
Improving Teacher Quality State Grants	84.367	74	7860	74,196	74,196	67,181	67,181
Passed Through Utah Valley State College:							
Tech-Prep Education	84.243		6350	(35)	6,000	6,035	-
				1,035,571	1,421,886	969,907	583,592
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>							
Passed Through Davis County School District:							
Head Start	93.600		7321	127,224	127,224	73,664	73,664
Total federal awards				<u>\$ 1,175,192</u>	<u>\$ 1,994,627</u>	<u>\$ 1,487,374</u>	<u>\$ 667,939</u>

See the accompanying notes to this schedule.

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

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**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, 2007, 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	\$ 1,090,532
Special Revenue Funds:	
Non K-12 Programs	87,059
Food Services	378,298
Capital Projects Fund	<u>6,035</u>
Total federal revenues per financial statements	1,561,924
Amounts not reported on Schedule:	
Medical Assistance Program	<u>(74,550)</u>
Total federal award revenues per Schedule	<u><u>\$ 1,487,374</u></u>



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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 the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Park City School District (District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2007. 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting:

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by an entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control

that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider both of the significant deficiencies described above (items 2007-1 and 2007-2) to be material weaknesses.

**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 in the accompanying schedule of findings and responses as items 2007-3 and 2007-4.

We also noted certain matters that we have reported to management of Park City School District in a separate letter dated October 4, 2007.

Park City School District's response to the findings identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



October 4, 2007



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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 requirements 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, 2007. 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 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. Our audit does not provide a legal determination on the 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and responses as item 2007-4.

**Internal Control Over Compliance**

The management of Park City School District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, 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 Park City School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control

that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses as items 2007-1 and 2007-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiencies in internal control over compliance described above are considered to be material weaknesses.

Park City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Park City School District as of and for the year ended June 30, 2007 and have issued our report thereon dated October 4, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Park City School District's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 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.

*Agui & Company, PC*

October 4, 2007

**PARK CITY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2007

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2006-1 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.

This finding has not been resolved and is repeated in the current year as finding 2007-1.

2006-2 Annual general fund expenditures exceeded the amount budgeted. We recommend actual expenditures be compared periodically to amounts budgeted to ensure that expenditures do not exceed amounts budgeted. Fund budgets can be amended as provided by state rules.

This finding appears to be resolved, with the exception that the debt service fund reported expenditures in excess of budgeted amounts by 1.4% in the year ended June 30, 2007.

**PARK CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
 Year Ended June 30, 2007

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I. Summary of auditor's results:

***Financial Statements***

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified?   X   yes        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?   X   yes        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: unqualified

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553  
 10.555  
 10.550  
 93.600

Nutrition Cluster:  
 School Breakfast Program  
 National School Lunch Program  
 Food Donation  
 Head Start

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

Auditee qualified as low-risk auditee?   X   yes        no

**PARK CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES (Continued)**  
Year Ended June 30, 2007

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II. Financial statement findings:

- 2007-1 Certain cash, investment, and payroll liability accounts had not been reconciled in a timely manner during the year.
- 2007-2 Periodic inventories of capital assets have not been performed and capital asset records have not been updated in a timely manner.
- 2007-3 Revenue generated from the special transportation tax levy is to fund transportation costs related to hazardous walking areas and school activities. State pupil transportation revenue is to fund regular bussing of students to and from school. The revenue and related costs are to be reported in separate programs and common costs are to be allocated on a reasonable basis (such as miles traveled). The District allocates common costs based on revenue received, a method that is not acceptable.

*Views of Responsible Officials* – Our audit committee has considered these matters. 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. An inventory of capital assets is in process. Transportation costs will be distributed to the two transportation programs based on miles traveled in each program. These improvements will be implemented and monitored during the next fiscal year.

III. Federal award findings and questioned costs:

- 2007-4 OMB Circular A-87 requires employers obtain certifications to support allocation of payroll costs to restricted federal programs. For several of the payroll transactions selected for testing, certificates were not available.

*Views of Responsible Officials* – Our audit committee has also considered this matter. Changes have been made in personnel and assignments. Certifications will be obtained with payroll documentation. These improvements will be implemented and monitored during the next fiscal year.



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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, 2007, and have issued our report thereon dated October 4, 2007. 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, 2007. The District received the following major 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 subjected 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 1) general budgetary requirements [debt service fund] and 2) certain cost allocation requirements [minimum school program -

pupil transportation] as 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, 2007.

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

October 4, 2007



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## Letter to Management

October 4, 2007

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, 2007, 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 October 4, 2007 on the financial statements of the District. Also, significant deficiencies and material weaknesses, if any, are included in our reports dated October 4, 2007, 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:

Expenditures in the debt service fund were in excess of budgeted amounts by 1.4%. The District should ensure that fund expenditures do not exceed fund budgets.

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, and
- retaining support for exceptions to the 10-day membership rule.

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 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.

Each balance sheet account should be reconciled monthly. Specifically, cash, investment, 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 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.

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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,



Squire & Company, PC