

DAVIS SCHOOL DISTRICT
SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

Year Ended June 30, 2013

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DAVIS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	USOE Revenue Code	District's Program Number	(Unearned) Receivable June 30, 2012	Received	Expended	(Unearned) Receivable June 30, 2013
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through Utah State Office of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	44	8000	\$ 24,562	\$ 1,867,153	\$ 1,905,546	\$ 62,955
National School Lunch Program (Donated Commodities)	10.555		8000	-	1,393,943	1,393,943	-
National School Lunch Program	10.555	42/43	8000	74,366	7,771,862	7,898,754	201,258
Special Milk Program for Children	10.556	41	8000	-	964	993	29
Summer Food Service Program for Children	10.559	48	8000	136,778	236,134	178,862	79,506
Child and Adult Care Food Program	10.558	47	7365	-	83,717	84,943	1,226
Fresh Fruit and Vegetable Program	10.582	51	8000	-	42,025	42,025	-
Passed Through Davis County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665		10	-	18,972	18,972	-
				235,706	11,414,770	11,524,038	344,974
U.S. DEPARTMENT OF DEFENSE:							
Direct Programs:							
The Language Flagship Grants to Institutions of Higher Education	12.550		7326	25,891	157,210	155,703	24,384
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556		7327/7328/7329/8902	211,920	755,660	692,677	148,937
Department of Defense Impact Aid (Supplement, CWSD, BRAC)	12.558		10	-	26,867	26,867	-
				237,811	939,737	875,247	173,321
DEPARTMENT OF TRANSPORTATION:							
Passed Through State Department of Transportation:							
<i>Highway Planning and Construction Cluster:</i>							
Highway Planning and Construction	20.205		7633	1,333	1,815	1,532	1,050
U.S. DEPARTMENT OF EDUCATION:							
Direct Programs:							
<i>Impact Aid Cluster:</i>							
Impact Aid	84.041		0015	39,751	855,733	815,982	-
Indian Education - Grants to Local Educational Agencies	84.060		7322	16,697	99,178	89,643	7,162
Fund for the Improvement of Education	84.215		7374/7372	206,236	715,365	602,379	93,250
Passed Through Utah State Office of Education:							
Adult Education - Basic Grants to States	84.002	33	1610	148,348	337,157	283,115	94,306
<i>Title I, Part A Cluster:</i>							
Title I Grants to Local Educational Agencies	84.010	08	7511	4,104,101	9,970,370	7,619,057	1,752,788
Migrant Education - State Grant Program	84.011	15	7548	84,642	175,098	154,338	63,882
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	13	5202	14,995	53,242	62,295	24,048
<i>Special Education Cluster (IDEA):</i>							
Special Education - Grants to States	84.027	19	1200	2,980	10,694,570	10,696,590	5,000
Special Education - Preschool Grants	84.173	52	1290	-	318,799	318,799	-
Career and Technical Education -							
Basic Grants to States	84.048	21	6900/6938	597,751	1,151,198	553,447	-
Education for Homeless Children and Youth	84.196	28	5272	-	42,722	49,009	6,287
Twenty-First Century Community Learning Centers	84.287	60	7654/7365/7366/7367	(32,648)	352,334	627,190	242,208
English Language Acquisition State Grants	84.365	73	7628	295,306	428,993	164,636	30,949
Improving Teacher Quality State Grants	84.367	74	7627	729,178	1,715,583	1,374,274	387,869
<i>School Improvement Grants Cluster:</i>							
School Improvement Grants	84.377	12	7508	-	233,414	369,543	136,129
Passed Through Utah State Department of Health:							
Special Education - Grants for Infants and Families	84.181		1299	-	463,565	566,935	103,370
Passed Through Utah State University:							
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		7635	-	70,937	75,329	4,392
				6,207,337	27,678,258	24,422,561	2,951,640
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Direct Programs:							
Head Start	93.600		7314/7320	930,450	4,765,389	4,362,515	527,576
Passed Through Department of Workforce Services:							
<i>CCDF Cluster:</i>							
Child Care and Development Block Grant	93.575		5654/5655/5656	120,826	341,253	408,520	188,093
				1,051,276	5,106,642	4,771,035	715,669
DEPARTMENT OF HOMELAND SECURITY:							
Passed Through Utah State Department of Emergency Management:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		2852	88,627	88,627	-	-
Total federal awards				\$ 7,822,090	\$ 45,229,849	\$ 41,594,413	\$ 4,186,654

DAVIS 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 Davis School District (the District). The District reporting entity is defined in Note 1 to the District’s basic financial statements. All federal awards received directly from federal agencies as well as federal awards 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 awards received by governmental funds as 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 deferred revenue until earned. 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 \$1,393,943 for the year ended June 30, 2013.

Note C. Relationship to the District’s Financial Statements – The District received Medical Assistance Program grant monies through the State of Utah Department of Health. The District also received an interest rate subsidy on its Build America Bonds. These federal grants are not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2013 is as follows:

General Fund	\$ 33,277,243
Debt Service Fund	1,067,353
School Food Services Fund (Special Revenue Fund)	11,420,123
State Multi-District Programs Fund (Special Revenue Fund)	<u>244,672</u>
Total amount reported in the financial statements	46,009,391
Interest rate subsidy	(1,067,353)
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(3,347,625)</u>
Total federal revenue not included on schedule	<u>(4,414,978)</u>
Total federal revenue reported on the schedule of expenditures of federal awards (SEFA)	<u><u>\$ 41,594,413</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
Davis 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davis School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2013.

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.

Squire & Company, PC

Orem, Utah
October 31, 2013



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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
Davis School District

Report on Compliance for Each Major Federal Program

We have audited the compliance of Davis 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, 2013. 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, 2013.

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 Davis School District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Squire & Company, PC

Orem, Utah
October 31, 2013

DAVIS SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

No matters were reported in the prior year audit.

DAVIS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes 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 no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster (IDEA):</i>
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$ 1,247,832

Auditee qualified as low-risk auditee? yes no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



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Independent Auditor's Report on Each General State Compliance
Requirement Tested and Report on Internal Control Over Compliance
in Accordance with the *State of Utah Legal Compliance Audit Guide*

Board of Education
Davis School District

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

We have audited the compliance of Davis School District (the District) with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

General state compliance requirements tested for the year ended June 30, 2013 are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Locally Generated Taxes and Fees
- School Fees
- Conflicts of Interest
- Nepotism

The District's state awards (passed through the State of Utah Office of Education) classified as major programs for the year ended June 30, 2013 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 of Utah Legal Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State of Utah Legal 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, Davis 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, 2013.

We noted certain other matters that we have reported to management of the District in the accompanying letter to management dated October 31, 2013. Management's response to those matters is described in the letter to management. We did not audit management's response and, accordingly, we express no opinion on it.

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 of Utah Legal 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 a type of compliance requirement of a state 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 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 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 of Utah Legal Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Squire + Company, PC

Orem, Utah
October 31, 2013



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Letter to Management

Board of Education
Davis School District

In planning and performing our audit of the basic financial statements of Davis School District (the District) as of and for the year ended June 30, 2013, 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 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 October 31, 2013, on the financial statements of the District. This letter accompanies our reports dated October 31, 2013, in accordance with *Government Auditing Standards*, OMB Circular A-133, and the *State of Utah Legal Compliance Audit Guide*.

Certain Other Matters

Internal Balances – As part of our audit procedures, we noted that the internal balance between the *general fund* and the *warehouse internal service fund* continues to increase. We recommend the District evaluate the relationship that exists between the funds and determine how the internal balance will be settled in the future.

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.

Budgeting – Actual expenditures exceeded the amount budgeted in the District's *debt service fund* by \$481,953.

Management's Response – We appreciate your recommendations. We will review these items and make changes as necessary.

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 the Board of Education and management of Davis School District and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Squire + Company, PC

Orem, Utah
October 31, 2013