

DAVIS SCHOOL DISTRICT
SINGLE AUDIT AND STATE
COMPLIANCE REPORTS

Year Ended June 30, 2014

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

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	USOE Revenue Code	District's Program Number	Receivable (Unearned) June 30, 2013	Received	Expended	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	44	8000	\$ 62,955	\$ 2,232,245	\$ 2,173,345	\$ 4,055
National School Lunch Program (Donated Commodities)	10.555		8000	-	1,546,348	1,546,348	-
National School Lunch Program	10.555	42/43	8000	201,258	8,362,213	8,263,496	102,541
Special Milk Program for Children	10.556	41	8000	29	1,079	1,050	-
Summer Food Service Program for Children	10.559	48	8000	79,506	231,105	151,599	-
Child and Adult Care Food Program	10.558	47	7365	1,226	1,226	-	-
Child Nutrition Discretionary Grants Limited Availability	10.579	42	8000	-	42,750	42,750	-
Passed Through Davis County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665			-	13,492	13,492	-
				344,974	12,430,458	12,192,080	106,596
U.S. DEPARTMENT OF DEFENSE:							
Direct Programs:							
The Language Flagship Grants to Institutions of Higher Education	12.550		7326	24,384	115,016	95,372	4,740
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556		7327/7328/7329/8902	148,937	366,060	268,285	51,162
Department of Defense Impact Aid (Supplement, CWSD, BRAC)	12.558		10	-	17,842	17,842	-
				173,321	498,918	381,499	55,902
DEPARTMENT OF TRANSPORTATION:							
Passed Through State Department of Transportation:							
<i>Highway Planning and Construction Cluster:</i>							
Highway Planning and Construction	20.205		7633	1,050	1,050	-	-
U.S. DEPARTMENT OF EDUCATION:							
Direct Programs:							
Impact Aid	84.041		0015	-	718,069	718,069	-
Indian Education - Grants to Local Educational Agencies	84.060		7322	7,162	128,029	140,949	20,082
Fund for the Improvement of Education	84.215		7374/7372	93,250	222,450	129,200	-
Passed Through Utah State Office of Education:							
Adult Education - Basic Grants to States	84.002	33	1610	94,306	239,406	314,430	169,330
Title I Grants to Local Educational Agencies	84.010	08	7511	1,761,810	5,846,091	5,747,923	1,663,642
Migrant Education - State Grant Program	84.011	15	7548	63,882	108,268	68,839	24,453
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	13	5202	24,048	42,500	146,397	127,945
<i>Special Education Cluster (IDEA):</i>							
Special Education - Grants to States	84.027	19	1200	5,000	10,082,986	10,077,986	-
Special Education - Preschool Grants	84.173	52	1290	-	296,020	296,020	-
Career and Technical Education - Basic Grants to States	84.048	21	6900/6938	-	512,644	512,644	-
Education for Homeless Children and Youth	84.196	28	5272	6,287	38,376	36,765	4,676
Twenty-First Century Community Learning Centers	84.287	60	7654/7365/7366/7367	242,208	603,599	568,345	206,954
English Language Acquisition State Grants	84.365	73	7628	30,949	170,031	150,470	11,388
Improving Teacher Quality State Grants	84.367	74	7627	387,869	1,186,152	1,194,051	395,768
<i>School Improvement Grants Cluster:</i>							
School Improvement Grants	84.377	12	7508	127,107	560,069	459,769	26,807
Passed Through Utah State Department of Health:							
Special Education - Grants for Infants and Families	84.181		1299	103,370	569,384	466,014	-
Passed Through Utah State University:							
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		7635	4,392	236,735	261,927	29,584
				2,951,640	21,560,809	21,289,798	2,680,629
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Direct Programs:							
Head Start	93.600		7314/7320	527,576	3,850,191	4,109,351	786,736
Passed Through Department of Workforce Services:							
<i>TANF Cluster:</i>							
Temporary Assistance for Needy Families	93.558		7660/7661	64,480	77,034	85,709	73,155
<i>CCDF Cluster:</i>							
Child Care and Development Block Grant	93.575		5654/5655/5656	123,613	323,740	325,228	125,101
				715,669	4,250,965	4,520,288	984,992
Total federal awards				\$ 4,186,654	\$ 38,742,200	\$ 38,383,665	\$ 3,828,119

The accompanying notes are an integral part of this schedule.

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 \$1,546,348 for the year ended June 30, 2014.

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, 2014 is as follows:

General Fund	\$ 29,482,652
Debt Service Fund	1,028,279
School Food Services Fund (Special Revenue Fund)	<u>12,122,147</u>
Total amount reported in the financial statements	42,633,078
Interest rate subsidy	(1,028,279)
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(3,221,134)</u>
Total federal revenue not included on schedule	<u>(4,249,413)</u>
Total federal revenue reported on the schedule of expenditures of federal awards (SEFA)	<u><u>\$ 38,383,665</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
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, 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 10, 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.

Squire & Company, PC

Orem, Utah
November 10, 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
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, 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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davis School 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 issued our report thereon dated November 10, 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.

Squire + Company, PC

Orem, Utah
November 10, 2014

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

No matters were reported in the prior year audit.

DAVIS 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 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>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$ 1,151,510

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.

DAVIS 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 MSP schedule)	Various	2014	\$ (3,676,199)	\$ 280,095,857	\$ 280,522,132	\$ (3,249,924)
Charter School Levy Offset	Various		-	1,440,839	1,440,839	-
Total Minimum School Program			(3,676,199)	281,536,696	281,962,971	(3,249,924)
Enrollment Growth Program	5561		-	254,767	254,767	-
Foundation Program	5550		-	305,017	305,017	-
Driver Education	5610	2014	176,060	525,545	531,285	181,800
Substance Abuse - Fees on Fines	5672		10,320	43,992	33,672	-
Teacher Tech Training	7870		-	2,497	2,497	-
Student Leadership	5816		-	6,132	6,132	-
Professional Development	5618		-	39,000	56,000	17,000
UPASS	5699		-	163,759	163,759	-
Other	Various		-	95,617	104,849	9,232
			(3,489,819)	282,973,022	283,420,949	(3,041,892)
State Matching for Federal Programs:						
State of Utah Department of Health:						
Special Education - Grants for Infants and Families	1299		-	693,253	806,683	113,430
State of Utah Office of Education:						
School Lunch Program (Liquor Control Tax)	8070	2014 *	1,617,085	3,636,994	3,724,074	1,704,165
Total state awards			<u>\$ (1,872,734)</u>	<u>\$ 287,303,269</u>	<u>\$ 287,951,706</u>	<u>\$ (1,224,297)</u>

Note: This schedule is presented using the modified accrual basis of accounting, the same basis used by the governmental funds of Davis School District as described in Note 1 to the basic financial statements.

* Audited as part of the federal single audit.



Independent Auditor’s Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program; and 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
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 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 Compliance
- Locally Generated Taxes and Fees
- Government Records Access Management Act (GRAMA)
- Utah Public Finance Website
- Open and Public Meetings Act

The District’s state awards classified as major programs for the year ended June 30, 2014 are as follows:

- Minimum School Program (passed through the State of Utah Office of Education)
- Driver Education Program (passed through the State of Utah Office of Education)

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, 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

Government Records Access Management Act (GRAMA) – We noted the annual training for the District's Records Officer on the requirements of the Government Records Access Management Act was not completed in the current year. We recommend required trainings be identified and completed.

Utah Public Finance Website – We noted the District has not posted the required public financial information to the Utah Public Finance Website. We recommend the District establish a process to post information as required.

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

The District's response to the noncompliance findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, the business-type activities, the discretely presented component unit, 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 10, 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.

Squire & Company, PC

Orem, Utah
November 10, 2014



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, 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 10, 2014, on the financial statements of the District. This letter accompanies our reports dated November 10, 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.

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 the Utah Retirement Systems (URS), the District's portion of the collective net pension liability and deferred inflows of resources were \$216.5 million and \$72.8 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 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
November 10, 2014