

**GRAND COUNTY SCHOOL DISTRICT**  
**SINGLE AUDIT AND STATE OF UTAH**  
**LEGAL COMPLIANCE REPORTS**

Year Ended June 30, 2010

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**GRAND COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Pass-Through Number	District's Program Number	(Deferral) Receivable June 30, 2009	Received	Expended	(Deferral) Receivable June 30, 2010
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
Passed Through Utah State Office of Education:							
School Breakfast Program	10.553	44	8071	\$ 714	\$ 54,986	\$ 54,272	\$ -
National School Lunch Program	10.555	42	8071	282	39,685	45,292	5,889
National School Lunch Program	10.555	43	8071	1,504	220,861	219,357	-
National School Lunch Program	10.555		8071	-	57,189	57,189	-
Child and Adult Care Food Program	10.558	47	7910	-	5,826	6,442	616
Summer Food Service Program for Children	10.559	48	8071	6,136	11,819	5,683	-
Passed through Grand County:							
Schools and Roads - Grants to States	10.665		1050	-	128,653	128,653	-
				8,636	390,366	516,888	6,505
<b>U.S. DEPARTMENT OF EDUCATION:</b>							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060		7330	17,265	37,190	19,925	-
Fund for the Improvement of Education	84.215		7530	-	63,411	65,718	2,307
Passed Through Utah State Office of Education:							
Adult Education - Basic Grants to States	84.002	33	7580	11,663	23,841	15,971	3,793
Title I Grants to Local Educational Agencies	84.010	08	7511	110,532	377,209	304,002	37,325
Special Education - Grants to States	84.027	19	7524	-	200,603	271,380	70,777
Career and Technical Education - Basic Grants to States	84.048	21	6200	34,077	34,077	31,336	31,336
Special Education - Preschool Grants	84.173	52	7522	34,022	52,455	27,635	9,202
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7890	-	-	6,695	6,695
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7890	-	6,197	-	(6,197)
Twenty-First Century Community Learning Centers	84.287	60	7910	33,713	99,665	98,669	32,717
Education Technology State Grants	84.318	07	7870	3,216	3,216	403	403
English Language Acquisition Grants	84.365	73	7880	-	10,510	10,510	-
Improving Teacher Quality State Grants	84.367	74	7860	101,629	172,457	99,756	28,928
Title I Grants to Local Educational Agencies, Recovery Act	84.389	9E	7662	-	118,367	174,365	55,998
Special Education - Grants to States, Recovery Act	84.391	9A	7664	164,711	338,153	181,874	8,432
Special Education - Preschool Grants, Recovery Act	84.392	9B	7667	17,163	17,163	-	-
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	9M	7661	-	348,064	348,101	37
				527,991	1,902,578	1,656,340	281,753
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>							
Passed Through Utah Department of Workforce Services:							
Temporary Assistance for Needy Families	93.558		3500	-	11,878	30,000	18,122
Temporary Assistance for Needy Families	93.558		3501	-	11,034	30,500	19,466
				-	22,912	60,500	37,588
Total federal awards				\$ 536,627	\$ 2,315,856	\$ 2,233,728	\$ 325,846

The accompanying notes are an integral part of this schedule.

**GRAND COUNTY 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 Grand County School 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 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** – The District also received Medical Assistance Program grant monies through the State of Utah Department of Health; this federal grant is 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, 2010 is as follows:

General Fund	\$ 1,613,873
Other Governmental Funds:	
Non K-12 Programs	291,482
Food Services	382,409
Total governmental funds	<u>2,287,764</u>
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(54,036)</u>
Total federal revenue reported on the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,233,728</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  
Grand County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand County School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2010. 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 Grand County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Grand County 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of Grand County School District in a separate letter dated November 30, 2010. Management's response to those matters is described in

the accompanying letter to management. We did not audit management'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, 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*

November 30, 2010



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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  
Grand County School District

**Compliance**

We have audited the compliance of Grand County School District (the 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 the major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grand County School District's management. Our responsibility is to express an opinion on Grand County 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 Grand County School District's compliance with those requirements.

In our opinion, Grand County 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, 2010.

**Internal Control Over Compliance**

Management of the 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 the 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 the District's internal control over compliance.

*A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand County School District as of and for the year ended June 30, 2010 and have issued our report thereon dated November 30, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements which collectively comprise the Grand County 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, 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*

November 30, 2010

**GRAND COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2010

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Financial statement findings:

*Significant Deficiencies (collectively considered a material weakness)*

2009-1 Restatement of Prior Year Net Assets / Fund Balances

2009-2 Measurement and Reporting of Long-term Liabilities

2009-3 Segregations of Duties, Management Review, and Timely Reconciliations

2009-4 Student Activity Fund Accounting and Reporting

2009-5 Expenditures in Excess of Budgets and General Fund Deficit; Budget Reporting

2009-6 Transfers

These findings have been resolved.

Federal award findings and questioned costs:

2009-7 Special Education Cluster Programs – Payroll Certifications

This finding has been resolved.

**GRAND COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended June 30, 2010

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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?  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: unqualified

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>
	Title I Cluster:
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act
	Special Education Cluster:
84.027	Special Education - Grant to States
84.173	Special Education - Preschool Grants
84.391	Special Education - Grant to States
84.392	Special Education - Preschool Grants, Recovery Act
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

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

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 Legal Compliance in  
Accordance with the *State of Utah Legal Compliance Audit Guide*

Board of Education  
Grand County School District

We have audited the compliance of Grand County School District (the District), with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2010.

The general compliance requirements applicable to the District are identified as follows:

Public Debt	Cash Management
Purchasing Requirements	Budgetary Compliance
Truth in Taxation and Property Tax Limitations	Utah Retirement Systems Compliance
Other General Compliance Issues	Fund Balance Limitation
Locally Generated Taxes and Fees	

The District's major state programs are identified as follows:

Minimum School Program

Compliance with the requirements referred to above is the responsibility of the District's management. 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; and the *State of Utah Legal Compliance Audit Guide*. Those standards and guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a material effect on the general compliance requirements identified above 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 procedures as we consider 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, Grand County School District complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state assistance programs for the year ended June 30, 2010.

We noted certain other matters that we have reported to management of Grand County School District in a separate letter to management dated November 30, 2010. Management's response to those certain other matters is described in the accompanying letter to management. We did not audit management'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, Office of the Utah State Auditor, Utah State Office of Education, and other 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*

November 30, 2010



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## Letter to Management

November 30, 2010

Board of Education  
Grand County School District

In planning and performing our audit of the financial statements of Grand County School District for the year ended June 30, 2010, 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 November 30, 2010 on the financial statements of the District. This letter accompanies our reports dated November 30, 2010 in accordance with *Government Auditing Standards*, the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *State of Utah Legal Compliance Audit Guide*.

*Fidelity Bond Coverage* – The District’s current fidelity bond coverage of is not sufficient to comply with Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. The bond amount should be at least 2% of budgeted revenue. We recommend the District increase its fidelity bond coverage to comply with state law.

*Budgeting* – Actual expenditures exceeded the amount budgeted in the District’s *student activities fund* by \$362,991.

*Management’s Response* –The District will increase its fidelity bond coverage to comply with state law and review the *student activities fund* budget.

*New Accounting and Reporting Standard* – In March 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The District will be required to implement this new statement for its year ending June 30, 2011. The new statement is designed to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. In essence, it establishes a hierarchy based largely on the extent to which a government is bound to observe spending constraints that govern how it can use amounts reported in the governmental funds balance sheet. The new statement also is designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion and adversely affected the interpretation of fund balance information.

We recommend the Board take formal action to commit certain resources before June 30, 2011 to comply with this new statement.

The District will be required to disclose information about its fund balance classification policies and procedures in the notes to the basic financial statements. In addition, the District will need to restate beginning balances to reflect the new standard. Comparative information presented in the management’s discussion and analysis section of the 2011 financial statements will also need to be restated.

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 follows generally accepted accounting and reporting principles and standards and also 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 District personnel and those who helped with the audit.

A handwritten signature in cursive script that reads "Squire & Company, PC". The signature is written in black ink and is positioned above the printed name of the firm.

Squire & Company, PC