



Financial Statements  
June 30, 2014

# Wasatch County School District

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The Board of Education  
Wasatch County School District  
Heber City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch County 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 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements 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 Audit 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

#### *Effect of Adopting New Accounting Standard*

As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. As discussed in Note 1 to the financial statements, the change

in accounting principle resulted in a reclassification of the presentation of unavailable property tax revenue from a liability to a deferred inflow of resources on the statement of net position.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of American, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 05, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Salt Lake City, Utah  
December 05, 2014

## **Management's Discussion and Analysis**

The following discussion and analysis of the Wasatch County School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014.

### **Financial Highlights**

**Net position** – The District's net position, as shown in the entity-wide statement of net position, exceeded liabilities by \$62,579,119 for the fiscal year ended June 30, 2014, as compared to \$62,120,346 at the end of June 30, 2013. This amount represents total assets less liabilities and deferred inflows.

**Fund balance** – At the recommendation of the Utah State Office of Education, the District transferred the fund balance from the Non K-12 special revenue fund to the General Fund as of July 1, 2013. Items previously reported as revenue and expenditure activities for the Non K-12 are now being recorded as part of the general fund. The total amount transferred to the general fund as of July 1, 2013 was \$668,420. As a result, the District increased its General fund balance from \$6,119,089 at June 30, 2013, to \$6,151,099 by June 30, 2014. This was accomplished by a diligent effort to control costs and limit spending to essential elements, as well as a sustained effort by the Board of Education to secure taxation levels that ensure adequate funding for the District, as stated in the Board's Strategic Plan adopted on July 17, 2003. This represents a significant effort on the part of the District to maintain fiscal accountability, especially when considered with the fact that State revenues for the year ending June 30, 2014 are just slightly higher than the revenues received for fiscal year 2008, prior to the downturn of the economy.

**Revenue changes** – State revenues totaled \$20,241,538 for fiscal year 2014 as compared to \$19,012,865 for fiscal year 2013. This increase is the result of the substantial growth in enrollment of 3.6%, combined with the increase in the funding of the State weighted pupil unit. As stated earlier, state revenues for fiscal year 2014 are just slightly higher than the amount of \$19,388,409 for fiscal year 2008. This is an overall increase during the 6 year period of \$853,129, or 4.4%, even though district student enrollment during that same time period increased by 26.1%. State revenues increased to 35.1% of total revenues for fiscal year 2014 as compared to 35% for fiscal year 2013. Local revenues totaled \$34,140,220 for fiscal year 2014 as compared to \$32,249,495 for fiscal year 2013. Local revenues were 59.2% of total revenues for fiscal year 2014 as compared to 59% for fiscal year 2013. Federal revenues totaled \$3,292,599 for fiscal year 2014 as compared to \$3,098,911 for fiscal year 2013. The District is pursuing all available Federal funds. Federal revenues were 5.7% of total revenues for fiscal year 2014 as compared to 6% for fiscal year 2013. Total revenues for the year ended June 30, 2014 was \$57,674,357 as compared to \$54,361,271 for fiscal year 2013.

**Other issues** – In an ongoing effort to provide students with the most current and effective educational opportunities, the District will continue with a digital conversion implementation. This implementation consists of the following critical components to be phased in throughout the District: digital interactive curriculum, job embedded professional development, 1:1 devices for all students, and digital friendly classrooms. As a result of this conversion process, available funds were used to purchase devices for grades 5 through 8, as well as added technology and curriculum support personnel. Additionally, as a result of the steady increase in the number of students, the District is actively acquiring future school sites to be used as additional schools are required. These expenditures resulted in an expected decrease in the total fund balance for the District as of June 30, 2014. Salaries and benefits totaled 63.7% of the total expenditures for fiscal year 2014. This compares to 67.7% of the total expenditures for fiscal year 2013.

Salary expenses increased 8.2% during fiscal year 2014. Employee benefits costs increased 12.9% during the same time period. This increase included a substantial adjustment to the amount the District contributes to the Utah Retirement System for its employees, as well as a slight increase in the cost of health insurance. Benefits costs totaled 56.6% of salaries expenses for fiscal year 2014, as compared to 54.3% for fiscal year 2013.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 12 and 13.

**Fund financial statements** – A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate financial compliance with legal requirements. The fund financial statements provide detailed information about the most significant funds, not the District as a whole. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – All of the District's day-to-day operations are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's General government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Debt Service fund, and the Capital Projects fund, all of which are considered to be major funds. Data from the other three governmental funds (Student Activities, Food Services, and the Wasatch County School District Foundation) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 to 18.

**Fiduciary fund** – The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 18.

**Notes to the basic financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 33.

**Other information** – The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 36 to 44.

### **Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The District had total net position of \$62,579,119 at June 30, 2014, and \$62,120,346 at June 30, 2013. The District has noncurrent liabilities comprised principally of outstanding bonded debt of \$58,210,006 at June 30, 2014, and \$61,684,059 at June 30, 2013. In addition, the noncurrent liabilities include early retirement termination benefits due to former District employees. Capital assets are used to provide services to students in the form of school buildings, buses, computers, furniture, etc. Consequently, these assets are not available for future spending needs. The District's unrestricted net position was \$5,327,967 at June 30, 2014, as compared to \$3,759,829 as of June 30, 2013. The District's unrestricted net position is expected to increase each year as the debt is paid off.

An additional portion of the District's net position, \$5,839,465, represents resources that are subject to external restrictions on how they may be used. These restrictions relate to debt service reserves, capital projects, the school lunch, and the education foundation. The following is a summary of the net position as of June 30, 2014 and 2013:

Wasatch County School District  
 Management's Discussion and Analysis  
 June 30, 2014

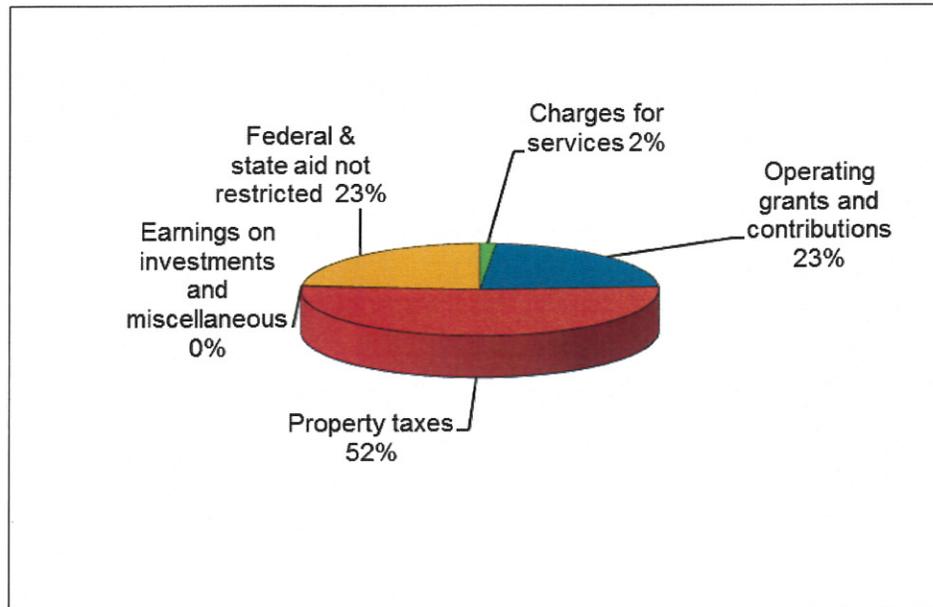
	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 42,238,103	\$ 45,107,740
Capital assets	109,002,148	108,618,873
Total assets	151,240,251	153,726,613
Long-term liabilities outstanding	58,210,006	61,684,059
Other liabilities	5,342,714	5,047,289
Total liabilities	63,552,720	66,731,348
Deferred inflows of resources	25,108,412	24,874,919
Net position:		
Net investment in capital assets	51,411,687	47,421,275
Restricted	5,839,465	10,939,242
Unrestricted	5,327,967	3,759,829
Total net position	\$ 62,579,119	\$ 62,120,346

**Governmental Activities**

Net position increased by \$458,773 during fiscal year 2014. The following summarizes the year's revenues, expenses and change in net position for the years ended June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Revenues:		
Program revenues:		
Charges for services	\$ 829,263	\$ 875,144
Operating grants and contributions	13,047,062	11,115,282
General revenues:		
Property taxes	30,105,938	27,559,714
Federal and state aid not restricted to specific purposes	13,430,350	14,518,362
Earnings on investments	95,334	114,587
Miscellaneous	50,212	159,747
Total revenues	57,558,159	54,342,836
Expenses:		
Instructional services	38,990,021	31,285,279
Supporting services:		
Students	1,832,928	1,624,362
District administration	2,333,395	2,143,829
School administration	2,459,777	2,403,055
Operation and maintenance of facilities	3,822,187	3,628,212
Transportation	2,363,472	2,128,205
School lunch services	2,427,501	2,345,371
Non-instructional services	325,860	1,567,429
Interest on long-term liabilities	2,544,246	2,715,741
Total expenses	57,099,387	49,841,483
Increase in net position	458,773	4,501,353
Net position – beginning	62,120,346	57,618,993
Net position – ending	\$ 62,579,119	\$ 62,120,346

**Revenues by Source - Governmental Activities**



**Financial Analysis of the District's Funds**

**Governmental funds** – The focus of the District's governmental funds is to provide information on how money flows into and out of the funds and to show balances left at year-end available for spending. Under Utah law, it is illegal to budget for an undesignated fund balance. This is in alignment with the concept that the revenues provided to a District are intended to be used during the period for which they were generated. That is to say that at the beginning of a fiscal year, undesignated fund balance is budgeted to be \$0. If over the course of the year, the difference between budgeted and actual revenues and expenditures leaves an unspent balance, that unspent balance must be budgeted to be used in normal operations during the next fiscal year so as to prevent a District from accumulating excess funds.

Fund balances may (and in some cases must) be reserved or designated and carried over to the next year for specific purposes. As those specific purposes are part of next year's budget and are identified as specific reservations and/or designations of fund balances, they are not available for appropriation. Fund balances for the capital projects and other governmental funds are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

Utah law allows for an undistributed reserve fund balance not to exceed 5% of the General fund budget.

Total fund balances in the governmental funds were \$11,990,564 as of June 30, 2014, and \$15,403,049 as of June 30, 2013.

**General fund** – The General fund is the primary operating fund of the District. The total fund balance in the General fund was \$6,151,099 as of June 30, 2014, compared to \$6,119,089 as of June 30, 2013. The total committed fund balance in the General fund was \$3,444,234, and the remaining \$2,706,865 is unassigned.

**General Fund Budgetary Highlights**

The Board of Education revised the 2013-2014 Budget during the year. Budget amendments reflected changes in programs and related funding. The difference between the original budget and the final amended budget increased the total amount of budgeted expenditures by \$2,508,115. The fund balance increased by \$32,010 from \$6,119,089 at June 30, 2013, to \$6,151,099 at June 20, 2014.

Final budgeted revenues were revised to \$41,002,749. The amended revenue figures reflected increases in local, state, and federal revenues.

Final actual expenditures were \$59,539 below the amended budget. Final revenues were \$79,288 less than had been anticipated in the amended budget.

**Capital Asset and Debt Administration**

**Capital Assets** – The capital projects fund accounts for the costs incurred for acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The following chart summarizes Capital Assets (Net of Depreciation) at June 30, 2014 and 2013:

	2014	2013
Land	\$ 9,553,707	\$ 6,493,711
Construction in progress	0	0
Buildings and improvements	96,595,741	99,364,412
Vehicles	2,258,943	2,127,529
Furniture and equipment	593,757	633,221
Total capital assets	\$ 109,002,148	\$ 108,618,873

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

**Debt Administration** – The District has debt relating to General obligation bonds and early retirement termination benefits payable to former District employees.

Total debt reductions during the year included regularly scheduled payments of \$3,585,000 in principal retirement on existing bonds. Early retirement termination benefits to former District employees increased during the year by \$192,623.

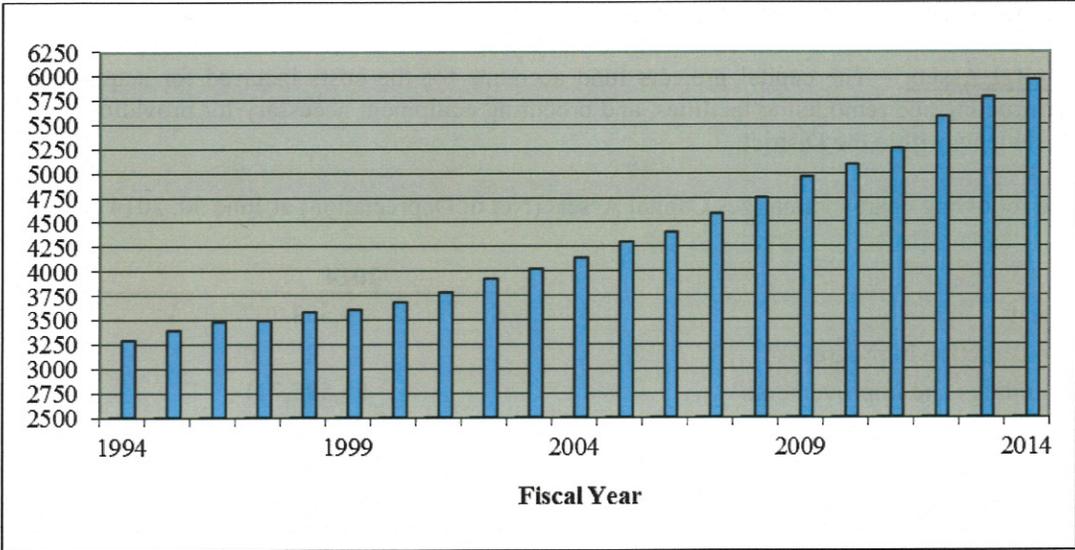
The General obligation bonded debt is limited by Utah law to 4% of the fair market value of the total taxable property. The current unused legal debt capacity is \$133,032,475.

**Student Enrollment**

Student enrollment has steadily increased since 1990. The County has experienced growth due to its favorable living environment and General economic growth. As a result, property values have increased significantly as new people have moved in. Some businesses have located in the area which has attracted new employees. Also, because of the close proximity of Park City, and the Salt Lake and Provo Valleys to the County, other people have moved into the area but continue to work outside the County's boundaries and commute to their jobs.

The District constructed the Heber Valley Elementary School in 1997 and also remodeled the Midway Elementary School that same year to accommodate more students. In addition, a new middle school was completed in 2000. Completion of Old Mill Elementary and the addition to JR Smith Elementary occurred during 2006. A new high school was completed in August, 2009. Student enrollment is expected to increase steadily into the foreseeable future. The District will continue to deal with the increases to ensure that its students receive the best of educational opportunities.

**Student Enrollment History, 1994 Through 2014**



**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, students and all other interested parties with a General overview of the District's finances and to show accountability for tax dollars. If you have questions about this report or need additional financial information, contact the Treasurer and Business Administrator, Wasatch School District, 101 East 200 North, Heber City, UT 84032.



Government-Wide Financial Statements  
June 30, 2014

# Wasatch County School District

Wasatch County School District  
Statement of Net Position  
June 30, 2014

	Governmental Activities
<b>Assets</b>	
Current assets	
Cash and investments	\$ 13,829,791
Receivables:	
Local	996,338
State	164,145
Federal	1,769,363
Property taxes	25,448,406
Inventories	30,060
Capital assets:	
Land and construction in progress	9,553,707
Other capital assets, net of depreciation	99,448,441
Total Assets	151,240,251
<b>Liabilities</b>	
Current liabilities	
Accounts payable	4,869,764
Accrued interest	203,587
Accrued salaries	253,707
Unearned Revenue	15,656
Noncurrent liabilities:	
Due within one year	4,069,984
Due in more than one year	54,140,022
Total Liabilities	63,552,720
Deferred Inflows of Resources	
Unavailable property tax revenue	25,108,412
<b>Net Position</b>	
Net investment in capital assets	51,411,687
Restricted for:	
Food services	30,060
Capital projects	3,183,979
Foundation	49,607
Debt service	2,703,425
Unrestricted	5,200,361
Total Net Position	\$ 62,579,119

Wasatch County School District  
Statement of Activities  
Year Ended June 30, 2014

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities					
Instructional services	\$ 38,990,021	\$ 124,403	\$ 9,718,301	\$ -	\$ (29,147,317)
Support services					
Student and instructional staff	1,832,928	-	23,220	-	(1,809,708)
General administration	2,333,395	-	-	-	(2,333,395)
School administration	2,459,777	-	-	-	(2,459,777)
Operation and maintenance of plant	3,822,187	-	-	-	(3,822,187)
Student transportation	2,363,472	-	895,781	-	(1,467,691)
School lunch service	2,427,501	628,742	1,341,026	-	(457,733)
Non-instructional services	325,860	76,118	48,123	-	(201,619)
Interest on long-term liabilities	2,544,246	-	-	-	(2,544,246)
<b>Total school district</b>	<b>\$ 57,099,387</b>	<b>\$ 829,263</b>	<b>\$ 12,026,451</b>	<b>\$ -</b>	<b>(44,243,673)</b>
General revenues					
Property taxes levied for:					
General purposes					24,666,401
Capital outlay					5,439,537
Federal and state aid not restricted to specific purposes					13,430,350
Earnings on investments					95,334
Proceeds from sale of assets					1,020,611
Miscellaneous					50,212
<b>Total general revenues</b>					<b>44,702,445</b>
Changes in net position					458,773
Net position - beginning					62,120,346
Net position - ending					<b>\$ 62,579,119</b>



Fund Financial Statements  
June 30, 2014

# Wasatch County School District

Wasatch County School District  
Balance Sheet – Governmental Funds  
June 30, 2014

	General	Debt Service	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 8,101,515	\$ 2,632,969	\$ 2,238,202	\$ 857,105	\$ 13,829,791
Receivables:					
Local	40,483	-	955,855	-	996,338
State	16,203	-	-	147,942	164,145
Federal	1,758,584	-	-	10,779	1,769,363
Property taxes	15,550,820	5,225,219	4,672,367	-	25,448,406
Inventories	-	-	-	30,060	30,060
<b>Total Assets</b>	<b>25,467,605</b>	<b>7,858,188</b>	<b>7,866,424</b>	<b>1,045,886</b>	<b>42,238,103</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accrued liabilities	3,973,837	-	71,465	1,078,169	5,123,471
Unearned revenue	-	-	-	15,656	15,656
<b>Total Liabilities</b>	<b>3,973,837</b>	<b>-</b>	<b>71,465</b>	<b>1,093,825</b>	<b>5,139,127</b>
<b>Deferred Inflows of Resources</b>					
Unavailable property tax revenue	15,342,669	5,154,763	4,610,980	-	25,108,412
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventories	-	-	-	30,060	30,060
<b>Restricted:</b>					
Building construction	-	-	3,183,979	-	3,183,979
Non K-12 programs	670,750	-	-	-	670,750
Debt service	-	2,703,425	-	-	2,703,425
Food Services	-	-	-	-	-
<b>Committed:</b>					
Contracts and Encumbrances	404,118	-	-	-	404,118
Employee Obligations	619,366	-	-	-	619,366
Foundation	-	-	-	49,607	49,607
Undistributed reserve	1,750,000	-	-	-	1,750,000
Unassigned	2,706,865	-	-	(127,606)	2,579,259
<b>Total Fund Balances</b>	<b>6,151,099</b>	<b>2,703,425</b>	<b>3,183,979</b>	<b>(47,939)</b>	<b>11,990,564</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,467,605</b>	<b>\$ 7,858,188</b>	<b>\$ 7,866,424</b>	<b>\$ 1,045,886</b>	<b>\$ 42,238,103</b>

Wasatch County School District  
 Reconciliation of the Balance Sheet – Governmental Funds  
 to the Statement of Net Position  
 June 30, 2014

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 11,990,564
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

	\$ 140,507,756	
Cost of the assets	(31,505,608)	
Accumulated depreciation	<u>                    </u>	109,002,148

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(203,587)
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

	\$ (57,590,461)	
General obligation bonds	(619,545)	<u>(58,210,006)</u>
Early retirement compensation	<u>                    </u>	<u>\$ 62,579,119</u>
Total net position - governmental activities		

Wasatch County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Sources:					
Taxes	\$ 18,428,603	\$ 6,237,798	\$ 5,434,836	\$ -	\$ 30,101,237
Interest	90,849	-	4,701	4,485	100,035
Other	344,907	-	1,020,611	2,573,430	3,938,948
State sources	19,917,075	-	-	324,463	20,241,538
Federal sources	2,142,027	-	-	1,150,572	3,292,599
<b>Total Revenues</b>	<b>40,923,461</b>	<b>6,237,798</b>	<b>6,460,148</b>	<b>4,052,950</b>	<b>57,674,357</b>
<b>Expenditures</b>					
Instructional services	29,902,622	-	2,983,992	1,832,698	34,719,312
Support services:					
Student and instructional staff	1,776,732	-	-	-	1,776,732
General administration	2,155,009	-	153,906	-	2,308,915
School administration	2,395,718	-	-	-	2,395,718
Operation and maintenance of plant	3,267,202	-	250,536	-	3,517,738
Student transportation	1,736,728	-	406,645	-	2,143,373
School lunch services	-	-	-	2,234,309	2,234,309
Non-instructional services	325,860	-	-	-	325,860
Facilities acquisition and construction	-	-	5,383,374	-	5,383,374
Debt service:					
Principal retirement	-	3,585,000	-	-	3,585,000
Interest and fiscal charges	-	2,580,313	-	-	2,580,313
<b>Total Expenditures</b>	<b>41,559,871</b>	<b>6,165,313</b>	<b>9,178,453</b>	<b>4,067,007</b>	<b>60,970,644</b>
Excess of Revenues Over (Under) Expenditures	(636,410)	72,485	(2,718,305)	(14,057)	(3,296,287)
Other financing sources:					
Transfers in (out)	668,420	-	-	(116,198)	552,222
<b>Total other financing sources</b>	<b>668,420</b>	<b>-</b>	<b>-</b>	<b>(116,198)</b>	<b>552,222</b>
Net change in fund balances	32,010	72,485	(2,718,305)	(130,255)	(2,744,065)
Beginning Fund Balances	6,119,089	2,630,940	5,902,284	82,316	14,734,629
Ending Fund Balances	<u>\$ 6,151,099</u>	<u>\$ 2,703,425</u>	<u>\$ 3,183,979</u>	<u>\$ (47,939)</u>	<u>\$ 11,990,564</u>

Wasatch County School District  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances – Governmental Funds  
 to the Statement of Activities  
 Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

**Net change in fund balances-total governmental funds** \$ (3,412,485)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 4,907,258	
Proceeds from sale of real property	(1,020,611)	
Depreciation expense	<u>(3,503,372)</u>	383,275

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 3,585,000	
Interest expense - general obligation bonds	13,930	
Amortization of deferred charge - refunding	(3,458)	
Amortization of bond premium	<u>25,595</u>	3,621,067

In the statement of activities, certain operating expenses -- special termination salary (early retirement) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, early retirement salary payable decreased by the following:

(133,084)

**Change in net position of governmental activities**

\$ 458,773



Notes to Financial Statements  
June 30, 2014

# Wasatch County School District

## **Note 1 - Summary of Significant Accounting Principles**

The accounting policies of Wasatch County School District (the District) are in compliance with accounting principles generally accepted in the United States of America applicable to governmental units in general and Utah school districts in particular. The following is a summary of the more significant policies:

### **Reporting Entity**

The District is a legally separate, fiscally independent government entity of the State of Utah with its own elected governing body.

The Board of Education, comprised of five elected individuals, is the governing authority for the District. The Board establishes District policies, approves the budget, appoints a superintendent with responsibilities for administering all educational activities of the District, and appoints a business administrator/clerk-treasurer with responsibilities for fiscal matters. In addition, the Board is authorized to issue bonds, incur short-term debt, and levy ad valorem taxes. All funds, including financial activity over which the Board has governance, are included in the financial statements.

In evaluating how to define the government, for financial reporting purposes, the District has considered all potential component units. As required by accounting principles generally accepted in the United States of America, these financial statements include all the fund types of the District and the Wasatch County School District Foundation, a blended component unit, for which the District is considered to be financially accountable. The blended component unit as described below, although legally separate, is in substance, part of the District's operations. The District is not a component unit of any other government.

### **Blended Component Unit**

The Wasatch County School District Foundation, a nonprofit organization under IRS regulations, raises tax-deductible donations to be used for educational purposes within the District. The Foundation exclusively services the District. The Foundation's Board is comprised of 11 members, who serve a term of 4 years. The Foundation's Board appoints all members. The Foundation is presented as a special revenue fund of the District. Financial information specific to the Foundation may be obtained by writing the Foundation at 101 East 200 North, Heber City, UT 84032.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues are available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, early retirement, and early retirement healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual because of legal and other requirements and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- The *general fund* (maintenance and operation fund) is the primary operating fund of the District and accounts for all revenues and expenditures not designated to other funds.
- The *debt service fund* is used to account for funds accumulated for the retirement of general obligation principal, interest, and other related costs.
- The *capital projects fund* (capital outlay fund) is used to account for the acquisition, construction, and maintenance of capital facilities by the District.

The following are classified as non-major governmental funds:

- The non-major governmental funds are comprised of four separate special revenue funds. The Food Services Fund is deemed to be a special revenue fund as a result of substantial local, state, and federal subsidies. The Foundation is a blended component unit described above. The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. This accounting reflects the District's fiduciary responsibility with the student activity organizations. The Non K-12 special revenue fund was previously set up because it was statutorily segregated to account for financing as authorized by Utah state law. Due to changes in financing received from the state, these funds which were previously required to be segregated are now included in the funding received as part of the general fund. As a result, the District transferred the fund balance in the Non K-12 special revenue fund as of July 1, 2013 to the general fund. This resulted in a transfer out of the Non K-12 fund of \$668,420. The remaining balance in this fund was \$0, and the fund has been closed.

### Budget Policies and Procedures

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are legally required and have been adopted for all governmental fund types. However, budgets are not adopted on a District level for the Wasatch County School District Foundation and the agency fund. Unencumbered annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The laws of the State govern budget policies. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. For the fiscal year beginning July 1, the business administrator and superintendent prepare a tentative budget which is presented to the Board of Education by the superintendent on or before June 1. By resolution, the Board of Education legally adopts the final budget prior to June 15, after a public hearing has been held.
2. Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the superintendent, but increased appropriations require a public hearing prior to amending the budget.
3. Interim adjustments of estimated revenues and appropriations, during fiscal year 2014, have been included in the final budget approved by the Board on June 17, 2014, as presented in the financial statements.
4. As determined by the state superintendent of public instruction, the level by which expenditures may not legally exceed appropriations is the total budget of a given fund.

### Fund Balance Classification

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the district is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

- **Nonspendable.** This category includes fund balance amounts that are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:
  - Unspent tax revenues for specific purposes (capital projects, debt service, student transportation, K-3 reading program, and community recreation).
  - Remaining fund balances in the School Lunch Fund.

- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the District's Board of Education. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Board of Education. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Education has approved to commit fund balance amounts for the following purposes:
  - As defined in Utah law as an "undistributed reserve," the District maintains for economic stabilization up to five percent of General Fund budgeted expenditures. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e. reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used "in the negotiation or settlement of contract salaries for school district employees."
  - Resources held by schools in the other governmental funds.
  - Employee obligations related to the phase out of early retirement stipends.
- **Assigned.** This category includes General Fund balance amounts that the District intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the District's administration comprised of superintendent, assistant superintendents, and business administrator as authorized by the Board of Education.
- **Unassigned.** Residual balances in the General Fund are classified as unassigned.

#### **Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted tax revenue or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government- wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

#### **Fund Balance Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Encumbrances**

An encumbrance accounting system, in which purchase orders for the expenditure of funds are recorded to restrict that portion of the applicable appropriation, is used in all funds except the Foundation and the Agency funds. Encumbrances outstanding at the end of the fiscal year are reported as a fund balance reserve. No encumbrances were outstanding at year-end.

### **Cash and Investments**

For purposes of efficient cash flow management and the management of temporary investments, the District utilizes a pooled arrangement for its cash. Interest is allocated based on management approval. Interfund borrowing occurs when a fund overdraws its equity in the pool.

The District's investments in the State Treasurer's Investment Pool (an external investment pool) are valued at fair value (based on the corresponding liability to pool participants) according to the provisions of GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The District has also adopted GASB Statement No. 40, "Deposits and Investment Risk Disclosures."

### **Receivables**

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected in the next fiscal year are property taxes.

### **Inventories**

Inventories for the Food Services Fund are valued at cost, or if donated, at fair value when received. Inventories at June 30, 2014, consist of purchased food items of \$14,404 along with U.S. Department of Agriculture surplus commodities of \$15,656 contributed by the federal government.

Purchased food is reported using the purchase method (charged to expenditures when purchased rather than when used) and accordingly, the inventory asset amount is reported on the balance sheet and, a reservation of fund balance for purchased food held at the end of the year has been established to convey that the inventories are not available for discretionary expenditure.

### **Capital Assets**

Capital assets include both depreciable and non-depreciable assets and are reported in the government-wide financial statements. Non-depreciable assets include land and current construction in progress. Depreciable assets include buildings and improvements, vehicles, and equipment. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, vehicles and equipment and \$100,000 for buildings and improvements and land improvements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and improvements, land improvements, vehicles, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Modular units	20
Buses and vehicles	10-15
Office equipment/furniture	10
Computer equipment	3-5

**Deferred Inflows of Resources**

A deferred inflow of resources is an addition to net position that applies to a future reporting period and therefore will be reported as an inflow/revenue in future years. The District reports unavailable revenue on its Statement of Net Position and Fund Balance Sheet. Unavailable revenues arise when property taxes for which the District has a legal claim have not yet been levied and are therefore not available for use. Unavailable revenue is recognized when the tax is collected and available for use. Upon recognition the deferred inflow for unavailable revenue is removed from the combined balance sheet and revenue is recognized on the statement of activities. As of June 30, 2014 deferred inflows of resources consisted of unavailable property tax revenue in the amount of \$25,108,412.

**Unearned Revenue**

The District reports unearned revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when grant monies or commodities are received prior to the incurrence of qualifying expenditures. In subsequent periods, unearned revenue is recognized when the District has a legal claim to the resources because of the incurrence of qualifying expenditures. Upon recognition, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized on the statement of activities.

**Compensated Absences**

Full time employees earn varying amounts of vacation and sick leave according to salary classification and years of employment. Vacation leave accrues at 10 to 15 days per year. The unused balance carries forward. Accrued unused vacation days are paid in full at termination or retirement at the then current pay rate. Sick leave accrues at up to 10 days per year.

A maximum of up to 130 days may be accumulated. Ten dollars per day will be paid for accumulated sick leave at the time of retirement.

**Long-Term Obligations**

In the government-wide financial statements and internal service fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of unamortized bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts and refunding costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

### **Impact of Recently Issued Accounting Principles**

#### *Recently Issued and Adopted Accounting Pronouncements*

In March 2012, the GASB issued Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. This resulted in a reclassification of unavailable property tax revenue from a liability to a deferred inflow of resources on the statement of net position.

#### **Other Recently Issued Accounting Pronouncements**

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## **Note 2 - Cash Deposits and Investments**

### **Cash Deposits**

The District's reconciled carrying amount of bank deposits at June 30, 2014 is \$5,058,513, and the deposit per the bank is \$6,508,184, \$250,000 of which is covered by federal depository insurance. No deposits are collateralized.

### **Deposit Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State of Utah does not require collateral on deposits.

## Investments

The District's deposits and investment policy follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Chapter 7) in handling its depository and temporary investing transactions. This law requires the depositing of District funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

1. Negotiable or nonnegotiable deposits of qualified depositories,
2. Repurchase agreements with qualified depositories or primary reporting dealers,
3. Commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poors if the remaining term to maturity is 180 days or less,
4. Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less,
5. Obligations of the United States Treasury, including bills, notes and bonds,
6. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporations, or Student Loan Marketing Association.
7. Shares or certificates in any open-end management investment company registered with the Securities and Exchange under the Investment Company Act of 1940, the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

A State Money Management Council was created under the State Money Management Act consisting of five individuals appointed by the Governor and qualified by training and experience in the fields of investing and finance. In performing its functions and responsibilities, the council provides a measure of depository protection. The council issues a list of qualified depositories to public treasurer's quarterly, and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the council. State law and council rules govern the finance reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately. The District considers the actions of the Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

The District has invested the majority of its temporarily idle funds (totaling \$8,721,671 as of June 30, 2014) with the State Treasurer's Investment Fund. The investments with the State bore interest at 0.50% at June 30, 2014. The carrying amount is equal to fair value. All securities comprising the State Treasurer's Investment Fund comply with strict investment criteria required by the Utah Money Management Act. All practices of the Fund are under the monthly scrutiny of the Utah Money Management Act. The Utah State Auditor audits the Fund each year. The degree of risk of the fund depends upon the underlying portfolio, which primarily consists of money market securities including certificates of deposit and top-rated domestic commercial paper held by the Utah State Treasurer; the portfolio has a weighted average life of 90 days or less. The fund is not rated. The reported value of the pool is the same as the fair value of the pool shares.

The Wasatch County School District Foundation has separate cash and investments not included in the State Treasurer's Investment Fund and District cash. The Foundation has its idle funds invested with Wells Fargo. The funds (totaling \$49,607 as of June 30, 2014) are invested primarily in mutual funds.

**Investment Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Summary**

The above described Cash Deposits and Investments are summarized and presented in the financial statements at fair value in accordance with the following analysis as of June 30, 2014:

Cash Deposits	\$ 5,058,513
Investments in State Treasurer's Pool (at fair value)	8,721,671
Wasatch County School District Foundation (at fair value)	<u>49,607</u>
 Total Cash Deposits and Investments	 <u><u>\$ 13,829,791</u></u>

**Note 3 - Property Taxes**

The property tax revenues for Wasatch County School District are levied, collected, and distributed by Wasatch County as required by Utah state law. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess property as of January 1 and complete the tax rolls by May 15. As of January 1, a legally enforceable claim exists and in effect a lien is placed on the property. By July 22, the county treasurer is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 15 and August 29 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30.

As of June 30, 2014, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2014 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected as the county treasurer may force the sale of the property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the financial statements. The remaining portion is reported as unavailable property tax revenue.

As of June 30, 2014, the District had accrued a property tax receivable of \$25,448,406. This accrual represents calendar year 2014 property taxes and is due to be collected by November 30, 2014.

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,493,711	\$ 3,060,912	\$ (916)	\$ 9,553,707
Capital assets being depreciated:				
Buildings and improvements	128,648,109	2,277,846	(6,810,316)	124,115,639
Vehicles	4,661,069	426,184	(133,434)	4,953,819
Equipment	1,860,305	67,793	(43,507)	1,884,591
Total capital assets, being depreciated:	<u>135,169,483</u>	<u>2,771,823</u>	<u>(6,987,257)</u>	<u>130,954,049</u>
Accumulated depreciation for:				
Buildings and improvements	(29,283,697)	(3,109,145)	4,872,944	(27,519,898)
Vehicles	(2,533,540)	(294,770)	133,434	(2,694,876)
Equipment	(1,227,084)	(99,457)	35,707	(1,290,834)
Total accumulated depreciation	<u>(33,044,321)</u>	<u>(3,503,372)</u>	<u>5,042,085</u>	<u>(31,505,608)</u>
Total capital assets, being depreciated, net	<u>102,125,162</u>	<u>(731,549)</u>	<u>(1,945,172)</u>	<u>99,448,441</u>
Governmental activities capital assets, net	<u>\$ 108,618,873</u>	<u>\$ 2,329,363</u>	<u>\$ (1,946,088)</u>	<u>\$ 109,002,148</u>

Depreciation expense for the year ended June 30, 2014 was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 2,692,800
Supporting services:	
Student and instructional staff	56,196
General administration	24,480
School administration	64,059
Operation and maintenance of plant	252,546
Student transportation	220,099
School lunch services	193,192
Total depreciation expense, governmental activities	<u>\$ 3,503,372</u>

**Note 5 - Long Term Obligations**

A summary of the changes in long-term obligations for the year ended June 30, 2014, is as follows:

	June 30 2013	Additions	Reductions	June 30 2014	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 61,055,000	\$ -	\$ (3,585,000)	\$ 57,470,000	\$ 3,750,000
Net deferred amounts for issuance premium (discount)	167,769	-	(25,595)	142,174	24,145
Deferred amounts on refunding	(25,171)	-	3,458	(21,713)	(3,202)
<b>Total bonds payable, net</b>	<b>61,197,598</b>	<b>-</b>	<b>(3,607,137)</b>	<b>57,590,461</b>	<b>3,770,943</b>
Early retirement compensation payable	486,461	389,871	(256,787)	619,545	299,041
<b>Totals</b>	<b>\$ 61,684,059</b>	<b>\$ 389,871</b>	<b>\$ (3,863,924)</b>	<b>\$ 58,210,006</b>	<b>\$ 4,069,984</b>

**General Obligation Bonds Payable**

The District has issued general obligation school building bonds for the acquisition and construction of school buildings.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding at June 30, 2014, are as follows:

Purpose	Interest Rates	Amount
\$9,700,000 general obligation school bonds, issued January 20, 2005, due in annual installments of \$190,000 to \$1,180,000 through June 2020.	3.0% to 4.0%	\$ 6,395,000
\$45,000,000 general obligation school bonds, issued January 10, 2007, due in annual installments of \$1,275,000 to \$4,800,000 through June 2026.	3.5% to 5.0%	39,785,000
\$14,500,000 general obligation school bonds, issued January 31, 2008, due in annual installments of \$165,000 to \$1,085,000 through June 2027.	3.0% to 4.38%	11,290,000
<b>Total</b>		<b>\$57,470,000</b>

Future debt service requirements to maturity for general obligation bonds outstanding at June 30, 2014, are as follows:

<u>Fiscal Year(s) Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,750,000	\$ 2,443,031	\$ 6,193,031
2016	3,885,000	2,277,169	6,162,169
2017	4,040,000	2,105,344	6,145,344
2018	4,200,000	1,943,744	6,143,744
2019	4,405,000	1,772,806	6,177,806
2020 to 2024	24,690,000	6,123,519	30,813,519
2025 to 2027	<u>12,500,000</u>	<u>984,656</u>	<u>13,484,656</u>
Total	<u>\$ 57,470,000</u>	<u>\$ 17,650,269</u>	<u>\$ 75,120,269</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2014 was \$188,977,475. The general obligation debt at June 30, 2014 was \$57,470,000, resulting in a legal debt margin of \$131,507,475.

Early Retirement Compensation Payable – In addition to the retirement plans discussed in Note 6, the District provides an early retirement incentive program. Eligibility is restricted to teachers and administrators meeting minimum service and age requirements. Those qualifying under this program, who choose to retire early, may receive compensation for up to three consecutive years. At year end, 30 retirees had a total of \$619,366 in compensation that is accrued of which \$299,041 was a current liability due within one year in the statement of net position.

## Note 6 - Retirement Plans

### Plan Description

The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah State Retirement Systems (Systems). Utah State Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

### **Funding Policy**

In the State and School Noncontributory Retirement System the District is required to contribute 20.46% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board Contributions for the Noncontributory Retirement System the contributions for June 30, 2014 and 2013, and 2012 were \$4,458,753, \$3,944,301, and \$3,541,455, respectively. The contributions were equal to the required contributions for each year.

All full-time employees are also eligible to participate in a defined contribution 401(k) retirement benefit. These funds are administered by the Utah State Retirement System at the option of the employee. The District is required by Utah State law to contribute 1.5% of eligible salaries towards the benefit on behalf of employees participating in the noncontributory PERS as described above. The District is not required to and does not contribute to a benefit on behalf of employees participating in the contributory PERS as described above. Employees are not required to contribute to their 401(k). Employees who participate in the 401(k) retirement benefit become fully vested at the time of the first contribution regardless of length of service. The District contributed \$408,689 (representing 1.5% of eligible salaries) during the fiscal year ended June 30, 2014 towards the 401(k) retirement benefit on behalf of employees participating in the noncontributory plan. Employee contributions were \$515,860 for the year ended June 30, 2014.

### **Note 7 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured against these occurrences through participation in the Utah State School District's Risk Management Pool administered by the Utah State Risk Management Office as in addition to umbrella coverage provided by private insurance organizations.

### **Note 8 - Related Party Transactions**

The District is a member of the Northeastern Utah Educational Services (the Center). The Center was organized in 1972 under the sponsorship of the Wasatch County School District, and with the assistance of eight other school districts in the State, to provide support services and act as a buying cooperative. Transactions with the Center are recorded in the Fiscal Program Agency Fund. The District acts as the financial agent for the Center and receives state appropriations which it immediately forwards to the Center. During the year ended June 30, 2014, \$479,747 was received from various sources and forwarded to the Center.

In addition, the District serves as a payroll service bureau for the Center. For the fiscal year ended June 30, 2014, the District handled \$479,747 in payroll plus retirement and other payroll related items for the Center.

**Note 9 - Commitments and Contingencies**

The District receives financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could be a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2014.

**Note 10 - Deferred Compensation 457 Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District contract employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all assets and rights purchased with those amounts, and all income attributable to those amounts, assets or rights are solely the assets and rights of the employee (without being restricted to the provisions of benefits under the Plan), and are not subject to the claims of the District's general creditors.

Employees who elect to participate in the plan do so via payroll deductions. On behalf of those employees, the District forwards their deductions to a third party administrator (the Utah State Retirement System) who acts as trustee for the employees' investment. All plan assets are held in trust by a third party administrator. In accordance with GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the District has not included these assets in its investments. The District has no trustee responsibilities or claim on these funds.



Required Supplementary Information  
June 30, 2014

# Wasatch County School District

Wasatch County School District  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual  
General Funds  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Local Sources:				
Property taxes	\$ 16,853,363	\$ 18,409,921	\$ 18,428,603	\$ 18,682
Interest	137,500	93,308	90,849	(2,459)
Other local sources	566,796	372,166	344,907	(27,259)
State aid	20,102,326	19,933,853	19,917,075	(16,778)
Federal aid	1,451,310	2,193,501	2,142,027	(51,474)
Total revenues	<u>39,111,295</u>	<u>41,002,749</u>	<u>40,923,461</u>	<u>(79,288)</u>
Expenditures:				
Instructional services	27,881,673	30,107,894	29,902,622	205,272
Supporting services:				
Students and instructional staff	1,753,019	1,716,262	1,776,732	(60,470)
General administration	2,323,468	2,153,223	2,155,009	(1,786)
School administration	2,373,856	2,364,088	2,395,718	(31,630)
Operation and maintenance of plant	3,119,438	3,238,986	3,267,202	(28,216)
Student transportation	1,659,841	1,668,129	1,736,728	(68,599)
Non-instructional services	-	370,828	325,860	44,968
Total expenditures	<u>39,111,295</u>	<u>41,619,410</u>	<u>41,559,871</u>	<u>59,539</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(616,661)</u>	<u>(636,410)</u>	<u>(19,749)</u>
Other financing sources:				
Transfers in (out)	-	668,420	668,420	-
Total other financing sources	<u>-</u>	<u>668,420</u>	<u>668,420</u>	<u>-</u>
Net change in fund balances	-	51,759	32,010	(19,749)
Fund balances - beginning	<u>5,429,799</u>	<u>5,429,799</u>	<u>6,119,089</u>	<u>689,290</u>
Fund balances - ending	<u>\$ 5,429,799</u>	<u>\$ 5,481,558</u>	<u>\$ 6,151,099</u>	<u>\$ 669,541</u>



Supplementary Information  
Combining and Individual Fund Statements  
June 30, 2014

# Wasatch County School District

Wasatch County School District  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual  
Major Capital Projects Fund  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Sources:				
Taxes	\$ 5,274,381	\$ 5,429,324	\$ 5,434,836	\$ 5,512
Interest	4,700	4,700	4,701	1
Other local revenues	-	-	1,020,611	1,020,611
<b>Total Revenue</b>	<b>5,279,081</b>	<b>5,434,024</b>	<b>6,460,148</b>	<b>1,026,124</b>
<b>Expenditures</b>				
Instructional services	2,780,074	2,892,068	2,983,992	(91,924)
General administration	60,000	75,740	153,906	(78,166)
Operation and maintenance of plant	294,725	293,272	250,536	42,736
Facilities acquisition and construction	1,732,639	5,752,929	5,383,374	369,555
Vehicles	411,643	406,643	406,645	(2)
<b>Total Expenditures</b>	<b>5,279,081</b>	<b>9,420,652</b>	<b>9,178,453</b>	<b>242,199</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>-</b>	<b>(3,986,628)</b>	<b>(2,718,305)</b>	<b>1,268,323</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>-</b>	<b>(2,718,305)</b>	<b>(2,718,305)</b>
<b>Beginning Fund Balance</b>	<b>5,902,284</b>	<b>5,902,284</b>	<b>5,902,284</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 5,902,284</b>	<b>\$ 5,902,284</b>	<b>\$ 3,183,979</b>	<b>\$ (2,718,305)</b>

Wasatch County School District  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances – Budget and Actual  
 Major Debt Service Fund  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,170,299	\$ 6,231,474	\$ 6,237,798	\$ 6,324
Other local sources	-	-	-	-
Total Revenue	<u>6,170,299</u>	<u>6,231,474</u>	<u>6,237,798</u>	<u>6,324</u>
Expenditures				
Debt service:				
Principal retirement	3,585,000	3,585,000	3,585,000	-
Interest and fiscal charges	<u>2,585,299</u>	<u>2,580,313</u>	<u>2,580,313</u>	<u>-</u>
Total Expenditures	<u>6,170,299</u>	<u>6,165,313</u>	<u>6,165,313</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	<u>-</u>	<u>66,161</u>	<u>72,485</u>	<u>6,324</u>
Net changes in fund balances	-	-	72,485	72,485
Beginning Fund Balance	<u>2,630,940</u>	<u>2,630,940</u>	<u>2,630,940</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ 2,630,940</u></u>	<u><u>\$ 2,630,940</u></u>	<u><u>\$ 2,703,425</u></u>	<u><u>\$ 72,485</u></u>

Wasatch County School District  
Combining Balance Sheet – Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	Non K-12 Programs	Food Services	Wasatch County School District Foundaiton	Student Activities	
<b>Assets</b>					
Cash	\$ -	\$ (153,837)	\$ 49,607	\$ 961,335	\$ 857,105
State receivables	-	147,942	-	-	147,942
Federal receivables	-	10,779	-	-	10,779
Property tax receivables	-	-	-	-	-
Inventories	-	30,060	-	-	30,060
<b>Total Assets</b>	<b>-</b>	<b>34,944</b>	<b>49,607</b>	<b>961,335</b>	<b>1,045,886</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	-	16,263	-	961,335	977,598
Accrued salaries	-	100,571	-	-	100,571
<b>Deferred revenues</b>					
Property taxes	-	-	-	-	-
Other local	-	15,656	-	-	15,656
<b>Total Liabilities</b>	<b>-</b>	<b>132,490</b>	<b>-</b>	<b>961,335</b>	<b>1,093,825</b>
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Inventories	-	30,060	-	-	30,060
<b>Restricted:</b>					
Food Services	-	-	-	-	-
<b>Committed:</b>					
Foundation	-	-	49,607	-	49,607
<b>Unassigned:</b>					
	-	(127,606)	-	-	(127,606)
<b>Total Fund Balances</b>	<b>-</b>	<b>(97,546)</b>	<b>49,607</b>	<b>-</b>	<b>(47,939)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 34,944</b>	<b>\$ 49,607</b>	<b>\$ 961,335</b>	<b>\$ 1,045,886</b>

Wasatch County School District  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended June 30, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	Non K-12 Programs	Food Services	Wasatch County School District Foundaiton	Student Activities	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	4,485	-	4,485
Other local sources	-	628,742	18,697	1,925,991	2,573,430
State sources	-	324,463	-	-	324,463
Federal sources	-	1,150,572	-	-	1,150,572
<b>Total Revenues</b>	<b>-</b>	<b>2,103,777</b>	<b>23,182</b>	<b>1,925,991</b>	<b>4,052,950</b>
Expenditures					
Instruction	-	-	18,697	1,814,001	1,832,698
Support services:					
School lunch services	-	2,234,309	-	-	2,234,309
Non-instructional services	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>2,234,309</b>	<b>18,697</b>	<b>1,814,001</b>	<b>4,067,007</b>
Excess (deficiency) of revenues over expenditures	-	(130,532)	4,485	111,990	(14,057)
Other financing sources:					
Transfers	(668,420)	(4,208)	-	(111,990)	(784,618)
Net changes in fund balances	(668,420)	(134,740)	4,485	-	(798,675)
Beginning Fund Balances	668,420	37,194	45,122	-	750,736
Ending Fund Balances	<u>\$ -</u>	<u>\$ (97,546)</u>	<u>\$ 49,607</u>	<u>\$ -</u>	<u>\$ (47,939)</u>

Wasatch County School District  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 Non K-12 Programs Special Revenue Fund  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,066,498	\$ -	\$ -	\$ -
Other local revenues	88,000	-	-	-
State sources	517,189	-	-	-
Federal sources	72,630	-	-	-
Total Revenue	<u>1,744,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Non-instructional services	<u>1,744,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,744,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	
Other Financing Sources:				
Transfers in (out)	-	(668,420)	(668,420)	
Net changes in fund balances	-	(668,420)	(668,420)	-
Beginning Fund Balance	<u>668,420</u>	<u>668,420</u>	<u>668,420</u>	<u>-</u>
Ending Fund Balance	<u>\$ 668,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Wasatch County School District  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Food Services– Nonmajor Special Revenue Fund  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Other local revenues	\$ 713,531	\$ 627,045	\$ 628,742	\$ 1,697
State sources	333,992	328,082	324,463	(3,619)
Federal sources	1,338,878	1,158,160	1,150,572	(7,588)
Total Revenue	<u>2,386,401</u>	<u>2,113,287</u>	<u>2,103,777</u>	<u>(9,510)</u>
Expenditures				
School lunch services	<u>2,386,401</u>	<u>2,588,068</u>	<u>2,234,309</u>	<u>353,759</u>
Total Expenditures	<u>2,386,401</u>	<u>2,588,068</u>	<u>2,234,309</u>	<u>353,759</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(474,781)</u>	<u>(130,532)</u>	<u>344,249</u>
Other financing sources:				
Transfers	<u>-</u>	<u>-</u>	<u>(4,208)</u>	<u>(4,208)</u>
Net changes in fund balances	<u>-</u>	<u>(474,781)</u>	<u>(134,740)</u>	<u>340,041</u>
Beginning Fund Balance	<u>37,194</u>	<u>37,194</u>	<u>37,194</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ 37,194</u></u>	<u><u>\$ (437,587)</u></u>	<u><u>\$ (97,546)</u></u>	<u><u>\$ 340,041</u></u>

Wasatch County School District  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Foundation– Nonmajor Special Revenue Fund  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 4,485	\$ 4,485
Other local revenues	62,500	162,500	18,697	(143,803)
Total Revenue	<u>62,500</u>	<u>162,500</u>	<u>23,182</u>	<u>(143,803)</u>
Expenditures				
Instruction	62,500	162,500	18,697	143,803
Total Expenditures	<u>62,500</u>	<u>162,500</u>	<u>18,697</u>	<u>143,803</u>
Net changes in fund balances	-	-	4,485	4,485
Other Financing Sources (Uses)				
Other Financing Sources (Uses)	-	-	-	-
Beginning Fund Balance	<u>45,122</u>	<u>45,122</u>	<u>45,122</u>	<u>-</u>
Ending Fund Balance	<u>\$ 45,122</u>	<u>\$ 45,122</u>	<u>\$ 49,607</u>	<u>\$ 4,485</u>

Wasatch County School District  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 Student Activities– Nonmajor Special Revenue Fund  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Other local revenues	\$ 1,823,000	\$ 2,023,000	\$ 1,925,991	\$ (97,009)
Total Revenue	<u>1,823,000</u>	<u>2,023,000</u>	<u>1,925,991</u>	<u>(97,009)</u>
Expenditures				
Instruction	1,823,000	2,023,000	1,814,001	208,999
Total Expenditures	<u>1,823,000</u>	<u>2,023,000</u>	<u>1,814,001</u>	<u>208,999</u>
Net changes in fund balances	-	-	111,990	111,990
Other Financing Sources (Uses)				
Other Financing Sources (Uses)	-	-	(111,990)	(111,990)
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Supplemental Report in Compliance with  
Government Auditing Standards,  
State of Utah Legal Compliance and  
Reports to the Board of Directors  
June 30, 2014

## Wasatch County School District

Wasatch County School District  
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June 30, 2014

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CPAs & BUSINESS ADVISORS

**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***

To the Board of Education  
Wasatch County School District  
Heber City, Utah

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch County 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 December 05, 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 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 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 yet 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eide Bailly LLP*

Salt Lake City, Utah  
December 05, 2014



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

To the Board of Education  
Wasatch County School District  
Heber City, Utah

**Report on Compliance for Each Major Federal Program**

We have audited Wasatch County School Districts' (the District) compliance 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 Districts' 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 weakness 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 the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Wasatch County School District's basic financial statements. We issued our report thereon dated December 05, 2014, 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

Salt Lake City, Utah  
December 05, 2014

Wasatch County School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>Department of Agriculture</u>			
Passed through Utah State Board of Education			
School Breakfast Program	*	10.553	\$ 171,989
National School Lunch Program			
Cash Assistance	*	10.555	843,260
Non-Cash Assistance (Commodities)	*	10.555	124,521
Special Milk Program for Children	*	10.556	1,314
Total Child Nutrition Cluster			<u>1,141,084</u>
Child Nutrition Discretionary Grants	10.579	Unkown	<u>3,231</u>
Total Department of Agriculture		Unknown	<u>1,144,315</u>
<u>Department of Health and Human Services</u>			
Passed through Department of Workforce Services			
CARES Afterschool Program Grant	93.575	Unknown	<u>30,985</u>
Total Department of Workforce Services			<u>30,985</u>
<u>Department of Education</u>			
Passed Through Utah State Board of Education			
Special Education - Grants to States	**	84.027	845,801
Special Education - Preschool Grants	**	84.173	33,000
Total Special Education Cluster			<u>878,801</u>
Adult Education	84.002A	Unknown	48,123
Title I Grants to Local Educational Agencies	84.010	Unknown	479,075
Career and Technical Education	84.048	Unknown	46,963
Mathematics and Science Partnerships	84.366B	Unknown	309,835
Title VI Improving Teacher Quality	84.367	Unknown	83,574
Title VI English Language Acquisition	84.365	Unknown	<u>42,858</u>
Total Department of Education			<u>1,889,229</u>
<u>Other Federal Assistance</u>			
U.S. Forest Service	10.665		249,567
Total Federal Financial Assistance			<u>\$ 3,314,096</u>

\* Denotes a major program cluster  
 \*\* Denotes a program cluster

See Notes to Schedule of Expenditures of Federal Awards.

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Wasatch County School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Wasatch County School District received all federal awards indirectly through pass-through entities.

**Note B – Significant Accounting Policies**

Governmental fund types account for the Wasatch County School District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The Wasatch County School District's summary of significant accounting policies is presented in Note 1 in the Wasatch County School District's basic financial statements.

**Note C – Food Donations**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the District had food commodities totaling \$15,656 in inventory.

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**Section I – Summary of Auditor’s Results**

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**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 OMB Circular A-133 §.510(a):	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
<i>Child Nutrition Cluster</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Math Science Partnerships	84.366B

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**Section II – Financial Statement Findings**

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None

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**Section III – Federal Award Findings and Questioned Costs**

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None



Wasatch County School District  
 Summary Schedule of Prior Year Findings  
 Year Ended June 30, 2014

No findings reported in the prior year.



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* on:  
Compliance with General State Compliance Requirements; Compliance for each Major State  
Program; and Internal Control over Compliance**

To the Board of Education  
Wasatch County School District

***Report on Compliance with General State Compliance Requirements and for Each Major State Program***

We have audited Wasatch County School District's (the District) compliance with the general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Locally Generated Taxes
- School Building Program and Charter School Revolving Account
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act
- Budget and Notice Format
- Uniform Chart of Accounts for Local Education Agencies

The District received state funding from the following programs classified as major programs for the year ended June 30, 2014:

- 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 Compliance Audit Guide*. 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 material effect on the District, and its major programs 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 with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, Wasatch County School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Wasatch County School District or on its major state program 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 in the accompanying schedule of findings and recommendations as items 2014-01, 2014-02 and 2014-03. Our opinion on compliance is not modified with respect to these matters.

Wasatch County School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations as items 2014-01, 2014-02 and 2014-03. Wasatch County School 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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with general state compliance requirements and for 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program 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 general state or major state program 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 general state or major state program 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 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, as defined above. However, material weaknesses may exist that have not been identified.

We noted two matters involving internal control over compliance which we are submitting for your consideration. These matters are described in the accompanying schedule of findings and recommendations as items 2014-01, 2014-02 and 2014-03.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and 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.

*Eide Bailly LLP*

Salt Lake City, Utah  
December 05, 2014

**2014 – 01 State Compliance- Utah Public Finance Website**

*Criteria:* For all entities, Utah state law (*Utah Code, Section 63A-3-402*) requires the entity to post the specific public financial information to the Utah Public Finance Website.

*Condition:* As a result of our audit procedures, we noted that the entity did not post the relevant financial information in a timely manner to the Utah Public Website as required.

*Cause:* During the year the entity converted their accounting records to new software and was not set up with the proper account coding to be compatible with the Utah Public Website. During the year management was in contact with technical support for the Utah Public Website to work on finding a resolution, but did not do so by fiscal year end.

*Effect:* The required public financial information was never posted to the Utah Public Finance Website within the required deadlines.

*Management Response:* The District converted its accounting records to a new software package recently, along with 21 other school districts in the State of Utah. Prior to this conversion, the District had been able to meet its filing deadlines, but the new software package was not able to meet the requirement of the State Transparency website during fiscal year 2014.

The District was able to submit its Wage and Benefit reports for fiscal year 2014 to the Utah Public Finance Website on September 18, 2014, which was within the required deadline. The Expenditure report for fiscal year 2014 was submitted on October 2, 2014 and the Revenue report for fiscal year 2014 was submitted on October 7, 2014. The District is current with its fiscal year 2015 reports, and will continue to submit the reports on time in the future.

**2014 –02 State Compliance- Chart of Accounts**

*Criteria:* For all entities, Utah state law (*Utah Code, Section 63A-3-406*) requires all Local Education Agencies to implement a uniform chart of accounts used for budgeting, accounting, financial reporting, and auditing purposes. This requirement went into effect on May 14, 2013.

*Condition:* As a result of our audit procedures, we noted that the entity had not yet converted to the standard chart of accounts as required.

*Cause:* During the year the entity converted their accounting records to new software and was not set up with the standard chart of accounts.

*Effect:* The entity is not in compliance with this regulation and as a result was unable to post the required information to the Utah Public Finance Website because their chart of accounts was not compatible with the website format.

*Management Response:* The District is now current with all required reports using the uniform chart of accounts.

**2014 – 03 State Compliance- Negative Fund Balance**

*Criteria:* Utah state law (*Utah Code, Section 17B-1-613*) requires that the District maintain a positive fund balance for all funds at year end.

*Condition:* We noted that the District had a negative fund balance in the food service fund at year end.

*Cause:* The District budgeted for a negative fund balance and as a result did not have the required positive fund balance.

*Effect:* The District was not in compliance with this requirement.

*Management Response:* At June 30, 2014, the District had a negative fund balance in the Food Services fund. This was caused by a decrease in the number of lunches served through-out the year which resulted in a decrease in revenue. Expenditures were within the amended budget for fiscal year 2014. The District raised the school lunch fees for fiscal year 2015 and expect to see a positive fund balance in future years.



CPAs & BUSINESS ADVISORS

December 5, 2014

To the Board of Education  
Wasatch County School District

We have audited the financial statements of Wasatch County School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wasatch County School District are described in Note 1 to the financial statements. During the year ended June 30, 2014, the District adopted Governmental Accounting Standards Board (GASB) statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of this standard resulted in a reclassification of unavailable property tax revenue from a liability to a deferred inflow of resources on the statement of net position. No other new accounting policies were adopted and there were no other changes to the application of existing policies during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the School District's financial statements is selecting the useful lives of capital assets. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 5, 2014.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Wasatch County School District auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Education and management of Wasatch County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Salt Lake City, Utah



Supplemental Report in Compliance with  
Government Auditing Standards,  
State of Utah Legal Compliance and  
Reports to the Board of Directors  
June 30, 2014

**Wasatch County School District**

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*..... 1

Independent Auditor’s Report on Compliance for Each Major Federal Program;  
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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***

To the Board of Education  
Wasatch County School District  
Heber City, Utah

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch County 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 December 05, 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 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 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 yet 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eide Bailly LLP*

Salt Lake City, Utah  
December 05, 2014



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

To the Board of Education  
Wasatch County School District  
Heber City, Utah

**Report on Compliance for Each Major Federal Program**

We have audited Wasatch County School Districts’ (the District) compliance 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 Districts’ 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 weakness 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 the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Wasatch County School District's basic financial statements. We issued our report thereon dated December 05, 2014, 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Salt Lake City, Utah  
December 05, 2014

Wasatch County School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>Department of Agriculture</u>			
Passed through Utah State Board of Education			
School Breakfast Program	*	10.553	\$ 171,989
National School Lunch Program			
Cash Assistance	*	10.555	843,260
Non-Cash Assistance (Commodities)	*	10.555	124,521
Special Milk Program for Children	*	10.556	1,314
Total Child Nutrition Cluster			<u>1,141,084</u>
Child Nutrition Discretionary Grants		10.579	<u>3,231</u>
Total Department of Agriculture			<u>1,144,315</u>
<u>Department of Health and Human Services</u>			
Passed through Department of Workforce Services			
CARES Afterschool Program Grant		93.575	<u>30,985</u>
Total Department of Workforce Services			<u>30,985</u>
<u>Department of Education</u>			
Passed Through Utah State Board of Education			
Special Education - Grants to States	**	84.027	845,801
Special Education - Preschool Grants	**	84.173	33,000
Total Special Education Cluster			<u>878,801</u>
Adult Education		84.002A	48,123
Title I Grants to Local Educational Agencies		84.010	479,075
Career and Technical Education		84.048	46,963
Mathematics and Science Partnerships		84.366B	309,835
Title VI Improving Teacher Quality		84.367	83,574
Title VI English Language Acquisition		84.365	42,858
Total Department of Education			<u>1,889,229</u>
<u>Other Federal Assistance</u>			
U.S. Forest Service		10.665	249,567
Total Federal Financial Assistance			<u>\$ 3,314,096</u>

\* Denotes a major program cluster

\*\* Denotes a program cluster

See Notes to Schedule of Expenditures of Federal Awards.

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Wasatch County School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Wasatch County School District received all federal awards indirectly through pass-through entities.

**Note B – Significant Accounting Policies**

Governmental fund types account for the Wasatch County School District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The Wasatch County School District's summary of significant accounting policies is presented in Note 1 in the Wasatch County School District's basic financial statements.

**Note C – Food Donations**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the District had food commodities totaling \$15,656 in inventory.

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 OMB Circular A-133 §.510(a):	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
<i>Child Nutrition Cluster</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Math Science Partnerships	84.366B

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**Section II – Financial Statement Findings**

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None

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**Section III – Federal Award Findings and Questioned Costs**

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None

No findings reported in the prior year.



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* on:  
Compliance with General State Compliance Requirements; Compliance for each Major State  
Program; and Internal Control over Compliance**

To the Board of Education  
Wasatch County School District

***Report on Compliance with General State Compliance Requirements and for Each Major State Program***

We have audited Wasatch County School District's (the District) compliance with the general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Locally Generated Taxes
- School Building Program and Charter School Revolving Account
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act
- Budget and Notice Format
- Uniform Chart of Accounts for Local Education Agencies

The District received state funding from the following programs classified as major programs for the year ended June 30, 2014:

- 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 Compliance Audit Guide*. 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 material effect on the District, and its major programs 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 with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, Wasatch County School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Wasatch County School District or on its major state program 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 in the accompanying schedule of findings and recommendations as items 2014-01, 2014-02 and 2014-03. Our opinion on compliance is not modified with respect to these matters.

Wasatch County School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations as items 2014-01, 2014-02 and 2014-03. Wasatch County School 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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with general state compliance requirements and for 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program 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 general state or major state program 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 general state or major state program 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 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, as defined above. However, material weaknesses may exist that have not been identified.

We noted two matters involving internal control over compliance which we are submitting for your consideration. These matters are described in the accompanying schedule of findings and recommendations as items 2014-01, 2014-02 and 2014-03.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and 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.

*Eide Bailly LLP*

Salt Lake City, Utah  
December 05, 2014

**2014 – 01      State Compliance- Utah Public Finance Website**

*Criteria:* For all entities, Utah state law (*Utah Code, Section 63A-3-402*) requires the entity to post the specific public financial information to the Utah Public Finance Website.

*Condition:* As a result of our audit procedures, we noted that the entity did not post the relevant financial information in a timely manner to the Utah Public Website as required.

*Cause:* During the year the entity converted their accounting records to new software and was not set up with the proper account coding to be compatible with the Utah Public Website. During the year management was in contact with technical support for the Utah Public Website to work on finding a resolution, but did not do so by fiscal year end.

*Effect:* The required public financial information was never posted to the Utah Public Finance Website within the required deadlines.

*Management Response:* The District converted its accounting records to a new software package recently, along with 21 other school districts in the State of Utah. Prior to this conversion, the District had been able to meet its filing deadlines, but the new software package was not able to meet the requirement of the State Transparency website during fiscal year 2014.

The District was able to submit its Wage and Benefit reports for fiscal year 2014 to the Utah Public Finance Website on September 18, 2014, which was within the required deadline. The Expenditure report for fiscal year 2014 was submitted on October 2, 2014 and the Revenue report for fiscal year 2014 was submitted on October 7, 2014. The District is current with its fiscal year 2015 reports, and will continue to submit the reports on time in the future.

**2014 –02      State Compliance- Chart of Accounts**

*Criteria:* For all entities, Utah state law (*Utah Code, Section 63A-3-406*) requires all Local Education Agencies to implement a uniform chart of accounts used for budgeting, accounting, financial reporting, and auditing purposes. This requirement went into effect on May 14, 2013.

*Condition:* As a result of our audit procedures, we noted that the entity had not yet converted to the standard chart of accounts as required.

*Cause:* During the year the entity converted their accounting records to new software and was not set up with the standard chart of accounts.

*Effect:* The entity is not in compliance with this regulation and as a result was unable to post the required information to the Utah Public Finance Website because their chart of accounts was not compatible with the website format.

*Management Response:* The District is now current with all required reports using the uniform chart of accounts.

**2014 – 03      State Compliance- Negative Fund Balance**

*Criteria:* Utah state law (*Utah Code, Section 17B-1-613*) requires that the District maintain a positive fund balance for all funds at year end.

*Condition:* We noted that the District had a negative fund balance in the food service fund at year end.

*Cause:* The District budgeted for a negative fund balance and as a result did not have the required positive fund balance.

*Effect:* The District was not in compliance with this requirement.

*Management Response:* At June 30, 2014, the District had a negative fund balance in the Food Services fund. This was caused by a decrease in the number of lunches served through-out the year which resulted in a decrease in revenue. Expenditures were within the amended budget for fiscal year 2014. The District raised the school lunch fees for fiscal year 2015 and expect to see a positive fund balance in future years.