



Tucson Unified School District No. 1
Single Audit Reporting Package
Year Ended June 30, 2016

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2016

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**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***

Independent Auditor's Report

Governing Board
Tucson Unified School District No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tucson Unified School District No. 1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Tucson Unified School District No. 1's basic financial statements, and have issued our report thereon dated December 19, 2016. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 72.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tucson Unified School District No. 1'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 Tucson Unified School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Tucson Unified School District No. 1'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tucson Unified School District No. 1'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.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
December 19, 2016

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Governing Board
Tucson Unified School District No. 1

Report on Compliance for Each Major Federal Program

We have audited Tucson Unified School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tucson Unified School District No. 1's major federal programs for the year ended June 30, 2016. Tucson Unified School District No. 1'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tucson Unified School District No. 1'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Tucson Unified School District No. 1'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 Tucson Unified School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Tucson Unified School District No. 1 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Tucson Unified School District No. 1's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tucson Unified School District No. 1'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 Tucson Unified School District No. 1 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 Tucson Unified School District No. 1'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 the Uniform Guidance, 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 Tucson Unified School District No. 1'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tucson Unified School District No. 1 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Tucson Unified School District No. 1's basic financial statements. We issued our report thereon dated December 19, 2016, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
December 19, 2016

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Award Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Magnet School Assistance	84.165	N/A	\$	\$ 54,636
Impact Aid	84.041	N/A		446,090
Indian Education - Grants to Local Educational Agencies	84.060	N/A		387,766
Passed through Arizona Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A150003		20,633,632
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A150003	8,821,635	
Special Education - Preschool Grants	84.173	H173A150003	293,694	
Total Special Education Cluster				9,115,329
Career and Technical Education - Basic Grants to States	84.048	V048A150003		1,145,928
Education for Homeless Children and Youth	84.196	S196A150003		8
Twenty-First Century Community Learning Centers	84.287	S287C150003		2,452,634
School Improvement Grants	84.377	S377A140003		2,323,887
English Language Acquisition Grants	84.365	S365A150003		714,946
Mathematics and Science Partnerships	84.366	S366B150003		40,594
Improving Teacher Quality State Grants	84.367	S367A150049		1,714,498
Race to the Top	84.413	B413A120005		322,058
Preschool Development Grants	84.419	S419A150009		141,230
Passed through Arizona Department of Economic Security:				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A		560,813
Passed through the University of Arizona:				
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	P407A1000036		56,773
Total U.S. Department of Education				40,110,822
<u>U.S. Department of Agriculture</u>				
Passed through Arizona Department of Education:				
Child and Adult Care Food Program	10.558	7AZ300AZ3		80,913
Fresh Fruit and Vegetable Program	10.582	9AZ300AZ3		291,162
Supplemental Nutrition Assistance Program (SNAP)	10.551	N/A		49,232
Farm to School Training and Technical Assistance	10.595	N/A		28,113
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	7AZ300AZ3	281,927	
Cash Assistance:				
School Breakfast Program	10.553	7AZ300AZ3	2,756,923	
National School Lunch Program	10.555	7AZ300AZ3	13,650,277	
Summer Food Service Program for Children	10.559	7AZ300AZ3	643,966	
Cash Assistance Subtotal			17,051,166	
Total Child Nutrition Cluster				17,333,093
Total U.S. Department of Agriculture				17,782,513

See accompanying notes to schedule.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

<u>Federal Grator/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Award Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Arizona Department of Economic Security:				
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	N/A	220,481	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	<u>396,256</u>	
Total Child Care and Development Fund Cluster				616,737
Passed through Arizona Department of Education:				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0030-02		1,939
National Bioterrorism Hospital Preparedness Program	93.899	N/A		19,575
Passed through Public Consulting Group, Inc.:				
Medical Assistance Program	93.778	N/A		<u>1,066,718</u>
 Total U.S. Department of Health and Human Services				<u><u>1,704,969</u></u>
<u>U.S. Department of Defense</u>				
Direct Programs:				
ROTC	12.UNKNOWN	N/A		51,406
<u>U.S. Department of Interior</u>				
Passed through Arizona Department of Education:				
Indian Education - Assistance to Schools	15.130	A14PX00402		<u>35,129</u>
Total Expenditures of Federal Awards			\$	<u><u>59,684,839</u></u>

See accompanying notes to schedule.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Tucson Unified School District No. 1 under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

NOTE 4 – INDIRECT COST RATE

The District has not elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

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 §200.516 of Uniform Guidance: Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,790,545

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: Yes

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2016-001

Repeat Finding: Yes, 2015-001

Program Name/CFDA Title: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Agency: U.S. Department of Education

Federal Award No.: S010A150003

Pass-Through Agency: Arizona Department of Education

Questioned Costs: n/a

Type of Finding: Noncompliance

Compliance Requirement: Special Tests and Provisions

CRITERIA

According to 34 CFR, §200.55, all teachers of core academic subjects were to be highly qualified by fiscal year 2005-06. In addition, 34CFR §200.58 requires that paraprofessional who work in a program supported with Title I Grants to LEAs have an associate's degree or 60 semester hours of coursework documented on an official transcript from an accredited institution of higher education or pass a formal state assessment.

CONDITION

The District did not meet the requirement that 100 percent of teachers of core academic subjects be highly qualified. In addition, all instructional paraprofessionals who worked in a program supported with Title I Grants to LEAs did not meet the highly qualified paraprofessional requirement.

CAUSE

The District was unable to find applicants that would meet the definition of highly qualified and therefore allow the District to meet the 100 percent rule.

EFFECT

The District is not in compliance with the requirement for highly qualified teachers and paraprofessionals and therefore allow the District to meet the 100 percent rule.

RECOMMENDATION

The District should continue to implement guidance prescribed by the Arizona Department of Education to help ensure that all teachers meet the highly qualified requirement.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2016-001

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan attached.

Contact Person: Anna Maiden, Chief Human Resources Officer

Anticipated Completion Date: Ongoing

December 19, 2016

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Karla Soto
Chief Financial Officer

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2016-001

Program Name/CFDA Title: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Contact Person: Anna Maiden, Chief Human Resources Officer

Anticipated Completion Date: Ongoing

Planned Corrective Action: Beginning in fiscal year 2013-14, the District implemented the following initiatives to comply with 34 CFR, §200.55:

1. Early Recruitment of graduating seniors and offers of Letter of Intent.
2. Issuing hire letter with a contingency plan to allow for a reasonable time period to obtain highly qualified status.
3. One-time signing bonuses for designated hard-to-fill positions.
4. Incentive program for current general education teachers to obtain special education certifications/endorsement has been in place for several years.
5. Increased recruitment and outreach to colleges, universities, local businesses, and the military.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2015-001

Program Name/CFDA Title: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Contact Person: Anna Maiden, Chief Human Resources Officer

Anticipated Completion Date: Ongoing

Planned Corrective Action: See Corrective Action Plan for repeat 2016-001 finding attached.