

**LINCOLN UINTA CHILD DEVELOPMENT
ASSOCIATION**

FINANCIAL STATEMENTS

June 30, 2009

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION

FINANCIAL STATEMENTS

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LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Index to the Financial Statements

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Basic Financial Statements: | |
| Statement of Financial Position | 4 |
| Statement of Activities | 5 |
| Statement of Functional Expenses | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8 |
| Single Audit Reports: | |
| Schedule of Expenditures of Federal Awards | 16 |
| Notes to the Schedule of Expenditures of Federal Awards | 17 |
| Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 18 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 20 |
| Schedule of Findings and Questioned Costs | 22 |
| Corrective Action Plan | 25 |
| Summary Schedule of Prior Year Audit Findings | 26 |



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lincoln Uinta Child Development Association
Mountain View, Wyoming

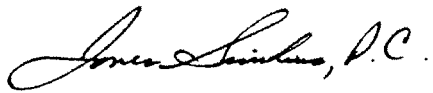
We have audited the accompanying statements of financial position of Lincoln Uinta Child Development Association (LUCDA) (a non-profit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of LUCDA's management. Our responsibility is to express an opinion 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 Auditing 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LUCDA as of June 30, 2009, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2009, on our consideration of LUCDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements of LUCDA taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Jones Simkins, P.C.".

JONES SIMKINS, P.C.
September 24, 2009

BASIC FINANCIAL STATEMENTS

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2009

ASSETS

| | | |
|---------------------------------|----|-----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 173,054 |
| Investments, available-for-sale | | 265,263 |
| Accounts receivable | | 12,319 |
| Grants receivable | | 7,092 |
| Prepaid expenses | | <u>5,204</u> |
| Total current assets | | 462,932 |
| Property and equipment, net | | <u>150,221</u> |
| Total assets | \$ | <u><u>613,153</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------------|----|-----------------------|
| Current liabilities: | | |
| Accounts payable | \$ | 19,843 |
| Accrued liabilities | | 15,162 |
| Current portion of long-term debt | | <u>9,762</u> |
| Total current liabilities | | 44,767 |
| Long-term debt | | <u>3,622</u> |
| Total liabilities | | <u>48,389</u> |
| Net assets: | | |
| Unrestricted - undesignated | | 266,545 |
| Unrestricted - designated | | 150,221 |
| Temporarily restricted | | <u>147,998</u> |
| Total net assets | | <u>564,764</u> |
| Total liabilities and net assets | \$ | <u><u>613,153</u></u> |

The accompanying notes are an integral part of these financial statements.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|------------------|
| Public support and revenue: | | | |
| State grant revenue | \$ - | 2,006,254 | 2,006,254 |
| Federal grant revenue | 568,788 | 272,788 | 841,576 |
| Other grant revenue | - | 86,140 | 86,140 |
| Medicaid | 105,301 | - | 105,301 |
| Private pay | 37,955 | - | 37,955 |
| Contributions | - | 3,990 | 3,990 |
| In-kind contributions | 128,072 | - | 128,072 |
| Interest and dividends | 19,121 | - | 19,121 |
| Investment returns | (21,978) | 5,480 | (16,498) |
| Net assets released from restrictions | <u>2,558,058</u> | <u>(2,558,058)</u> | <u>-</u> |
| Total public support and revenue | <u>3,395,317</u> | <u>(183,406)</u> | <u>3,211,911</u> |
| Expenses: | | | |
| Program expenses: | | | |
| Developmental disabilities services | 2,294,919 | - | 2,294,919 |
| Head Start | 548,258 | - | 548,258 |
| Private pay | <u>100,619</u> | <u>-</u> | <u>100,619</u> |
| Total program expenses | <u>2,943,796</u> | <u>-</u> | <u>2,943,796</u> |
| Supporting expenses: | | | |
| Management and administrative | <u>418,005</u> | <u>-</u> | <u>418,005</u> |
| Total supporting expenses | <u>418,005</u> | <u>-</u> | <u>418,005</u> |
| Total expenses | <u>3,361,801</u> | <u>-</u> | <u>3,361,801</u> |
| Change in net assets | 33,516 | (183,406) | (149,890) |
| Net assets at beginning of year | <u>383,250</u> | <u>331,404</u> | <u>714,654</u> |
| Net assets at end of year | <u>\$ 416,766</u> | <u>147,998</u> | <u>564,764</u> |

The accompanying notes are an integral part of these financial statements.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

| | Program Expenses | | | | Management and Administrative | Total |
|-------------------------------------|---|---------------|----------------|------------------------------|-------------------------------------|-----------|
| | Developmental Disability Services | Head Start | Private Pay | Total Program Expenses | | |
| Salaries | \$ 1,396,699 | 329,374 | 38,547 | 1,764,620 | 267,870 | 2,032,490 |
| Payroll taxes and related expenses | 347,110 | 81,696 | 9,207 | 438,013 | 47,443 | 485,456 |
| Retirement benefits | 81,907 | 17,588 | 2,243 | 101,738 | 16,515 | 118,253 |
| Total salaries and related expenses | 1,825,716 | 428,658 | 49,997 | 2,304,371 | 331,828 | 2,636,199 |
| In-kind costs | 46,107 | 43,544 | 34,579 | 124,230 | 3,842 | 128,072 |
| Rent | 55,586 | 12,705 | 1,588 | 69,879 | 9,529 | 79,408 |
| Depreciation | 49,525 | 11,320 | 1,415 | 62,260 | 8,490 | 70,750 |
| Materials and supplies | 64,592 | 6,054 | 4,107 | 74,753 | 1,089 | 75,842 |
| Contract services | 38,957 | - | - | 38,957 | - | 38,957 |
| Travel, mileage and vehicle costs | 39,840 | 12,822 | - | 52,662 | 5,865 | 58,527 |
| Insurance | 31,356 | 7,067 | 883 | 39,306 | 5,300 | 44,606 |
| Facility improvements | 25,145 | 5,747 | 718 | 31,610 | 4,311 | 35,921 |
| In-service and training | 23,971 | 8,887 | - | 32,858 | 1,091 | 33,949 |
| Food | 23,569 | 2,839 | 4,638 | 31,046 | - | 31,046 |
| Communications | 17,360 | 1,054 | - | 18,414 | 4,038 | 22,452 |
| Dues and fees | 20,788 | - | - | 20,788 | - | 20,788 |
| Vehicle repairs and maintenance | 909 | 3,078 | - | 3,987 | 14,548 | 18,535 |
| Audit and accounting | - | - | - | - | 13,000 | 13,000 |
| Repairs and maintenance | 10,197 | 577 | 1,162 | 11,936 | 462 | 12,398 |
| Utilities | 7,993 | 1,827 | 228 | 10,048 | 1,370 | 11,418 |
| Computer technology | 6,293 | - | 498 | 6,791 | 2,934 | 9,725 |
| Recruiting expenses | 951 | - | - | 951 | 6,033 | 6,984 |
| Public awareness | 2,911 | - | - | 2,911 | 2,595 | 5,506 |
| Parent activities | 2,097 | 1,081 | 14 | 3,192 | - | 3,192 |
| Interest | 1,056 | 998 | 792 | 2,846 | 88 | 2,934 |
| Board expenses | - | - | - | - | 1,592 | 1,592 |
| Total expenses | \$ 2,294,919 | 548,258 | 100,619 | 2,943,796 | 418,005 | 3,361,801 |

The accompanying notes are an integral part of these financial statements.

INTERMOUNTAIN SPECIALIZED ABUSE TREATMENT CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

| | |
|---|-------------------|
| <u>Cash flows from operating activities:</u> | |
| Change in net assets | \$ (149,890) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation | 70,750 |
| Loss on disposal of assets | 35,922 |
| Unrealized gains and losses in investment returns, net | 16,498 |
| (Increase) decrease in: | |
| Accounts receivable | (12,319) |
| Grants receivable | 19,966 |
| Prepaid expenses | 1,895 |
| Increase (decrease) in: | |
| Accounts payable | (20,407) |
| Accrued liabilities | 444 |
| | <u>444</u> |
| Net cash used in operating activities | <u>(37,141)</u> |
| <u>Cash flows from investing activities:</u> | |
| Purchase of investments | (9,666) |
| Purchase of property and equipment | <u>(44,129)</u> |
| Net cash used in investing activities | <u>(53,795)</u> |
| <u>Cash flows from financing activities:</u> | |
| Principal payments on long-term debt | <u>(8,302)</u> |
| Net cash used in financing activities | <u>(8,302)</u> |
| Net decrease in cash | (99,238) |
| Cash, beginning of year | <u>272,292</u> |
| Cash, end of year | <u>\$ 173,054</u> |
| <u>Supplemental Disclosures</u> | |
| Cash paid for interest | <u>\$ 2,934</u> |

The accompanying notes are an integral part of these financial statements.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization

Lincoln Uinta Child Development Association (LUCDA) is a non-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Further, it has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

LUCDA offers educational and therapeutic services to eligible handicapped and developmentally disabled children. LUCDA also provides educational programs to the parents of these children. These services are offered through the following centers:

LUCDA - Evanston
Kemmerer Child Development Center
Star Valley Child Development Center (Afton and Thayne sites)
Bridger Valley Child Development Center

LUCDA also operates the federal Head Start program, serving its Evanston, Afton, Thayne, Kemmerer, and Mountain View sites.

LUCDA is funded primarily from federal and state grants with secondary funding from county and school district grants. LUCDA's authoritative body consists of a Board of Trustees.

Financial Statement Presentation

LUCDA's financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, LUCDA is required to present a statement of cash flows.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Public Support and Revenue

Grants and contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or appropriate use of the assets, temporarily restricted net assets are then reclassified to unrestricted net assets.

Certain government contracts are received on a reimbursement basis. All restrictions placed on the money are met when the money is spent and the receivable is recognized. LUCDA records revenue from these contracts as unrestricted.

Revenue from services rendered is generally recognized at the time the service is provided to the client and is reported as unrestricted.

Donated Materials and Services

Donated materials and equipment are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. No amounts have been reflected in the financial statements for donated materials and equipment.

Donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. No amounts have been reflected in the financial statements for donated services.

As more fully described in Note 7, LUCDA occupies certain facilities without charge or at a discounted charge. The value of the use of these donated facilities has been recorded as an in-kind contribution and expensed in these financial statements.

A significant amount of professional and parental services are donated to LUCDA's Head Start program. Time donated for work that does not require a professional or craftsman cannot be recorded in the financial statements.

Basis of Accounting

LUCDA maintains its records on the accrual basis of accounting.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all bank accounts, certificates of deposit, and investment pool participation, with an original maturity of less than three months.

Deposit Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, LUCDA's deposits may not be returned. The State of Wyoming requires that all deposits be fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the depository's pledge of approved assets. As of June 30, 2009, all of LUCDA's deposits were collateralized by the pledge of approved assets.

Investments

LUCDA reports all investments at fair value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restriction are met.

Accounts and Grants Receivable

Grants receivable consist of balances on grants that have been awarded and earned but not received as of June 30, 2009. Accounts receivable are amounts primarily due from Medicaid for services rendered. Credit is generally extended on a short term basis; thus accounts receivable do not bear interest. Receivable are periodically evaluated by management for collectibility. Provisions for losses are determined based on past experience, known and inherent risk in the account balances, and current economic conditions. Management has determined that the balance of receivables at June 30, 2009 is collectible and thus no allowance against the receivables has been recorded.

Property and Equipment

Property and equipment with an estimated useful life of two years or more are capitalized and are stated at cost or, if acquired by gift, at the estimated fair market value at the date of gift. Depreciation is charged using the straight line method over the estimated useful lives of the assets, generally five to seven years. Upon disposition of an asset, its cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Allocation of Functional Expenses

Expenses by function have been allocated among program and supporting service classifications on the basis of time records and on estimates made by LUCDA's management.

Note 2 - Investments

Investments, classified as available-for-sale, consists of the following at June 30, 2009:

| | |
|-----------------------------|-------------------|
| Investments, at cost | \$ 281,761 |
| Unrealized gains and losses | <u>(16,498)</u> |
| Investments, at fair value | <u>\$ 265,263</u> |

Investment returns are summarized as follows:

| | |
|-----------------------------|--------------------|
| Realized gains and losses | \$ - |
| Unrealized gains and losses | <u>(16,498)</u> |
| Balance, end of year | <u>\$ (16,498)</u> |

Note 3 - Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157 "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. LUCDA adopted the requirements of SFAS 157 on July 1, 2008.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 3 - Fair Value Measurements (continued)

The following table provides financial assets carried at fair value measured as of June 30, 2009:

| <u>Description</u> | <u>Total Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
|-------------------------------|-------------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Available-for-sale securities | \$ 265,263 | 265,263 | - | - |

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Generally, for available-for-sale securities fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2009:

| | |
|-------------------------------|-------------------|
| Building improvements | \$ 183,110 |
| Vehicles | 440,323 |
| Equipment | 131,020 |
| Construction in progress | <u>7,622</u> |
| | 762,075 |
| Less accumulated depreciation | <u>(611,854)</u> |
| Net property and equipment | <u>\$ 150,221</u> |

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Capital Lease Obligations

The Company leases office equipment under a capital lease agreement which provides for the option to purchase the equipment at the end of the lease at the fair market value. The lease is payable in monthly payments of \$936, has an imputed interest rate of 16.3%, and is secured by the equipment being leased. Future minimum lease payments under the capital lease are approximately as follows:

| Year ending <u>June 30,</u> | <u>Amount</u> |
|--|-------------------------|
| 2010 | \$ 11,236 |
| 2011 | <u>3,745</u> |
| | 14,981 |
| Less amount representing interest | <u>(1,597)</u> |
| Present value of future minimum lease payments | \$ <u><u>13,384</u></u> |

The cost, accumulated amortization, and amortization expense of equipment under capital leases is approximately as follows:

| | |
|--------------------------|-----------|
| Cost | \$ 34,752 |
| Accumulated amortization | \$ 20,850 |
| Amortization expense | \$ 6,950 |

Note 6 - Net Assets

At June 30, 2009, temporarily restricted net assets represent various grant monies unspent that are restricted to a specific use as defined in the grant. At June 30, 2009, management has designated \$150,221 of unrestricted net assets for the purchase of property and equipment.

Note 7 - Operating Leases

LUCDA leases office and classroom space at its Evanston location at \$5,249 per month. The lease expires June 30, 2010. Operating lease expense for 2009 amounted to \$62,988.

LUCDA leases office space at its regional office location in Mountain View at \$1,045 per month. The lease expires August 31, 2009. Operating lease expense for 2009 amounted to \$10,421.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 7 - Operating Leases (continued)

LUCDA has also entered into a lease agreement with Lincoln County School District #1 for its Kemmerer facility at \$1,500 per month, reduced to \$500 per month by an in-kind contribution of \$1,000 per month by the School district. The lease expires December 31, 2011. Operating lease expense for 2009 amounted to \$6,000.

Future minimum rental payments under the non-cancelable operating lease for each of the next three years are listed below as follows:

| Year ending <u>June 30,</u> | <u>Amount</u> |
|--------------------------------|------------------|
| 2010 | \$ 71,078 |
| 2011 | 6,000 |
| 2012 | <u>3,000</u> |
| | <u>\$ 80,078</u> |

LUCDA occupies, for \$1 per year, facilities provided by the Towns of Afton, Thayne, and Mountain View, Wyoming. The annual fair market value for rental of the facilities was \$111,956 for the year ended June 30, 2009, which was recorded as an in-kind.

Note 8 - Tax Deferred Annuity Plan

LUCDA sponsors a tax-deferred annuity thrift plan for qualifying employees under provisions of Section 403(b) of the Internal Revenue Code. Under the plan, LUCDA's employees can contribute a portion of their compensation to their individual account. All contributions are considered to be made on a "salary reduction" basis. Additionally, the plan allows for a 7% employer contribution for eligible employees. For the year ended June 30, 2009, LUCDA contributed \$118,253 to the plan on behalf of its employees.

Note 9 - Significant Concentrations of Credit Risk

LUCDA receives a substantial amount of its revenue from one state agency. This state agency provided 63% of LUCDA's total support and revenues for the year ended June 30, 2009. In addition, one federal agency provided 16% of LUCDA's total support and revenues. Loss of this support could adversely affect LUCDA's activities.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 10 – Subsequent Events

The Company evaluated its June 30, 2009 financial statements for subsequent events through September 24, 2009, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SINGLE AUDIT REPORTS

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

| <u>Federal Grantor/Pass-Through Grantor/ Program Title</u> | <u>Federal CFDA No.</u> | <u>Contract Number</u> | <u>Expenditures</u> |
|---|---------------------------------|----------------------------|---------------------|
| <u>U.S. Department of Agriculture (USDA)</u> | | | |
| Passed through the Wyoming Department of Education: | | | |
| Child and Adult Care Food Program | 10.558 | None | <u>17,209</u> |
| Total USDA | | | <u>17,209</u> |
| <u>U.S. Department of Education (ED)</u> | | | |
| Passed through the Wyoming Department of Health and Human Services: | | | |
| Special Education Cluster (IDEA) | 84.027 84.173 | None | 160,793 |
| Special Education - Grants for Infants and Families | 84.181A | None | 96,060 |
| Direct: | | | |
| Special Education - Grants for Infants and Families | 84.181 | None | <u>48,543</u> |
| Total ED | | | <u>305,396</u> |
| <u>U.S. Department of Health and Human Services (HHS)</u> | | | |
| Direct: | | | |
| Head Start | 93.600 | 08CHO114/15 | \$ <u>520,245</u> |
| Total HHS | | | <u>520,245</u> |
| Total Federal Awards | | | <u>\$ 842,850</u> |

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Note 1 – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.”

Note 2 – Significant Accounting Policies

Basis of Accounting

The information in the schedule is presented in accordance with OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires that the Schedule show the total expenditures for each of the entity’s federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes the levels of expenditures or expenses and other criteria to be used in defining major programs. Major programs have been noted on the Schedule of Findings and Questioned Costs in accordance with those definitions.

Indirect Costs

The Schedule includes programs operated by Lincoln Uinta Child Development Association which include a portion of costs associated with general activities that are allocated to federal financial assistance programs using direct labor as a basis of allocation.



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INDEPENDENT AUDITORS' 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 Directors
Mountain View, Wyoming

We have audited the financial statements of Lincoln Uinta Child Development Association (LUCDA), as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered LUCDA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LUCDA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the deficiency 09-02 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency 09-01 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LUCDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Certain immaterial instances of noncompliance and other matters were communicated to management in a separate letter dated September 24, 2009.

LUCDA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LUCDA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, LUCDA Board of Directors, State agencies, federal awarding agencies, and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
September 24, 2009



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Mountain View, Wyoming

Compliance

We have audited the compliance of Lincoln Uinta Child Development Association (LUCDA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. LUCDA's major federal programs are identified in the summary of auditor's findings section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of LUCDA's management. Our responsibility is to express an opinion on LUCDA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LUCDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LUCDA's compliance with those requirements.

In our opinion, LUCDA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of LUCDA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LUCDA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LUCDA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as item 09-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

LUCDA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LUCDA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, LUCDA Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
September 24, 2009

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Summary of Audit Findings:

| | | |
|----|--|-------------------|
| 1. | Type of Report issued | Unqualified |
| 2. | Internal control over financial reporting: Material weakness identified: | Yes – One |
| | Significant deficiencies identified that were not considered to be material weaknesses: | Yes – One |
| 3. | Non-compliance material to financial statements noted: | No |
| 4. | Internal control over major programs: Material weaknesses identified: | No |
| | Significant deficiencies identified that were not considered to be material weaknesses: | Yes - One |
| 5. | Type of auditors' report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: | Yes |
| 7. | Federal programs tested as major programs | Head Start 93.600 |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. | Auditee qualification as high or low risk | High |

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

- A. Findings related to the financial statements required to be reported in accordance with Government Auditing Standards:

Finding 09-01

Condition: The internal control system of Lincoln Uinta Child Development Association (LUCDA) is not designed in accordance with the expectations of the Government Accountability Office (GAO).

Criteria: Internal control standards adopted by the GAO expect that the individuals charged with governance of an organization monitor controls performed by senior management through the use of an audit committee or board of directors, document internal control processes, policies and procedures and document risk assessments.

Effect: LUCDA has a significant deficiency in the design of its internal control processes.

Cause: LUCDA has chosen because of cost versus benefits to not meet all of the internal control expectations established by the GAO.

Recommendation: None

Finding 09-02

Condition: The auditor drafted the annual financial statements and provided assistance in formatting, proper grouping of accounts, and footnote disclosures. Additionally, material auditor-proposed adjustments were made to the balances of prepaid expenses, property and equipment, accumulated depreciation, net assets, revenues and expenses.

Criteria: GAO standards expect an auditee to have the expertise to take full responsibility for its annual financial statements including drafting. Material misstatements in the entity's accounting records are de facto evidence of a material weakness in internal control.

Effect: LUCDA has a material weakness in internal controls with respect to properly recording, reporting, and disclosing transactions and balances in accordance with Generally Accepted Accounting Principles.

Cause: LUCDA does not have sufficient training in accounting and financial reporting necessary to record, report, and disclose all balances and transactions in accordance with Generally Accepted Accounting Principles.

Recommendation: Management should consider ways to reduce the number of year end audit adjustments.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

- B. Findings and questioned costs related to federal awards required to be reported in accordance with OMB Circular A-133.

Finding 09-03 Head Start – CFDA 93.600 ; Year ended June 30, 2009

Condition: Compensation policies for salaried employees do not require the completion of a time card. As a result, compensation is charged for salaried employees based upon time allocation reports. Also because time cards are not maintained for salaried employees, there is no record of the total number of hours worked each day. This finding was also identified by auditors from the Department of Health and Human Services in an on-site monitoring review.

Criteria: OMB Circular A-122, Attachment B, item 7 “compensation for personal services”, requires after the fact determinations of activity and the total number of hours worked each day to be maintained.

Effect: LUCDA is not in compliance with this element of OMB Circular A-122.

Cause: Management was not aware of the requirement.

Recommendation: Management should change its policies and procedures for documenting the activity of salaried employees.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Corrective Action Plan
(Client Submitted Document)
Year Ended June 30, 2009

LUCDA respectfully submits the following response for the findings identified in the June 30, 2009 audit.

Response to finding 09-01

Management will continue to evaluate the cost and benefit of implementing controls in accordance with the expectations of the GAO and implement additional controls where practical and reasonable.

Response to finding 09-02

Management believes the cost exceeds the benefits of having the expertise necessary to handle all accounting and reporting issues and developing more comprehensive reporting and disclosure controls for its financial statements. Management plans to continue to have its external accountant and independent auditor provide assistance in these areas. Management will review the audit adjustments and determine if corrective action can be taken to eliminate certain adjustments in the future.

Response to finding 09-03

Management understands the importance of requiring documentation of salaried employees in order to meet requirements set by OMB Circular A-122, Attachment B, regarding after the fact determination of activity and total number of hours worked each day towards the Head Start program. As of July 1, 2009, all employees will be required to fill out timecards in order to more clearly document time worked during the day.

If an oversight agency has questions regarding this response, please call Shauna Lockwood, Regional Director, at (307) 782-6602.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Summary Schedule of Prior Year Audit Findings
(Client Submitted Document)
Year Ended June 30, 2009

Finding 08-01

Condition: Accounting duties over the cash disbursements cycle are not adequately segregated in order to prevent fraud. Specifically, the business manager has access to the authorizing signature stamp used for signing checks and is responsible for reconciling the bank statement. The accounting clerk also keeps the authorizing signature stamp used for signing checks and is responsible for entering cash disbursements transactions into the accounting system. This creates a risk that the business manager or accounting clerk could create an unauthorized check.

Recommendation: Internal controls should exist to ensure that duties are segregated properly. A possible mitigating internal control could include the director's review of the bank reconciliations, including cleared transactions.

Status: Internal controls were strengthened and bank reconciliations were reviewed by the director throughout the year. This item was not a current year finding.

Finding 08-02

Condition: The Head Start Program requires a physical inventory of equipment to be conducted every two years. LUCDA requires each center to complete an inventory count each May. However, adequate documentation was not retained as evidence of the annual inventory count of equipment.

Recommendation: LUCDA's database of equipment should be updated annually to show the date the physical inventory of each item took place or some other documentation, such as count sheets, should be retained.

Status: LUCDA has updated its equipment database, but no documents were retained to show the date the physical inventory took place. However, it was determined that because LUCDA did not use direct Head Start funds to purchase equipment valued at \$5,000 or more, the OMB Circular A-110 requirement for equipment purchased with federal funds does not apply to the program. This finding is considered closed.

Finding 08-03

Condition: Management is responsible for ensuring that all expenditures of federal awards are reported on the schedule of expenditures of federal awards (SEFA). It was noted that the child nutrition program funds were awarded from the United States Department of Agriculture (USDA) but were omitted from LUCDA's SEFA that was provided to the auditors at the beginning of the audit.

LINCOLN UINTA CHILD DEVELOPMENT ASSOCIATION
Summary Schedule of Prior Year Audit Findings
(Client Submitted Document)
Year Ended June 30, 2009

Recommendation: Each grant received by LUCDA should be evaluated to determine if it needs to be reported on the SEFA.

Status: This item is not a current year finding.

Finding 08-04

Condition: No system of internal controls is in place to ensure that LUCDA is in compliance with the federal regulations regarding suspension and debarment stipulated by the Office of Management and Budget (OMB) Circulars and the Code of Federal Regulations (CFR).

Recommendation: A system of internal controls should be implemented to ensure that LUCDA is in compliance with federal regulations regarding suspension and debarment. The system of internal controls should include controls to ensure that no transactions are completed with vendors that are listed on the federal Excluded Parties List System (EPLS).

Status: Policies were implemented and procedures improved. This item is not a current year finding.