DUCHESNE COUNTY SCHOOL DISTRICT

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Financial Statements

Year Ended June 30, 2006

Prepared by

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Business Administrator

DUCHESNE COUNTY SCHOOL DISTRICT
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AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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Honorable Board of Education
To the Duchesne County School Board
Duchesne County, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Duchesne County School District as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District'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 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 opinions.

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, aggregate remaining fund information, and budgetary comparison information of the School District as of June 30, 2006, and the respective changes in financial position 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 October 3, 2006 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and information on pages (see table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor fund financial statements, and statistical tables have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Aycock, Miles & Associates, CPAs

October 3, 2006

Management's Discussion and Analysis

The following discussion and analysis presents an overview of the financial performance of Duchesne County School District (District) for the year ended June 30, 2006. Readers should integrate the information presented here with the additional information furnished in the financial statements that follow this section.

Financial Highlights

- The District's General Fund receives revenue based on the number of pupils enrolled and other allocation formulas. State Legislative appropriations account for 80% of the funding and another 11% comes from Federal restricted programs. This leaves 9% to local sources.
- The District's financial status as measured by total net assets in excess of liabilities was $28.4 million as of the close of the fiscal year.
- The general fund balance decreased $217,297 as a result of spending down Special Education reserves. Undistributed reserves remained at 2% of the budget. The capital projects fund balance increased $7,787,646. A reserve for catastrophic events increased $805,724 and the remaining amount was bond proceeds for ongoing building projects.
- District enrollment increased 100 students for a total of 3,993 enrolled as of October 1, 2005 as the result of increased oil and gas exploration activities in the area. Federal and state funding based on poverty levels declined due to new allocations based on updated statistics.
- Progress continues on a new Junior High with construction under way and on schedule to be completed in December 2006. Duchesne High School reconstruction/renovation was completed in August 2005. Plans are being made to request voter approval to bond for renovation and expansion of the Con Amore special education facility in Myton.

Overview of the Financial Statements

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

District-wide financial statements. The statement of net assets and the statement of activities are designed to provide a broad overview of the District's financial position as a whole, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items where the cash flows occur in future periods (e.g. uncollected taxes).

Fund financial statements. The District uses separate funds to segregate activities and ensure compliance with finance-related legal requirements. Governmental and fiduciary types of funds are used.

Governmental funds account for the functions reported as *governmental activities* in the District-wide financial statements. However, unlike District-wide financial statements, the focus is on near-term inflows, outflows, and fiscal year-end balances of spendable resources. Reconciliations are also provided from the narrower focused governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances to the *governmental activities* of the District-wide financial statements.

The Fiduciary fund statement provides information about the financial relationships in which the District acts as a trustee for the benefit of parties outside the governmental entity. This fund is not reflected in the District-wide statement because these resources are not available to support district programs.

Notes to the basic financial statements. The notes provide additional information for a full understanding of the data provided in the District-wide and fund financial statements.

Other information. Individual fund statements and schedules immediately follow the notes.

District-wide Financial Analysis

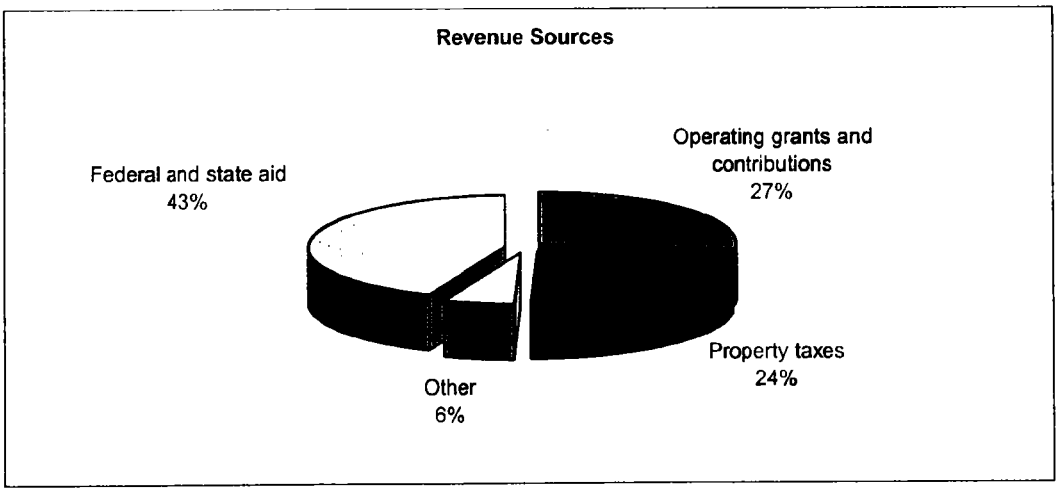
Net assets. A large portion (86%) of the District's net assets is capital assets invested in land, buildings, and equipment less outstanding general obligation bonds used to acquire those assets. Net assets of the District increased 4.5% over the previous year mostly due to the continued repayment of outstanding debt and the continued investment in new buildings and equipment. These assets are used to provide educational programs and are not considered available resources for future spending. Payments on the outstanding debt also come from other sources and not from the assets themselves. Assets subject to external restrictions on how they may be used represent 7% of net assets.

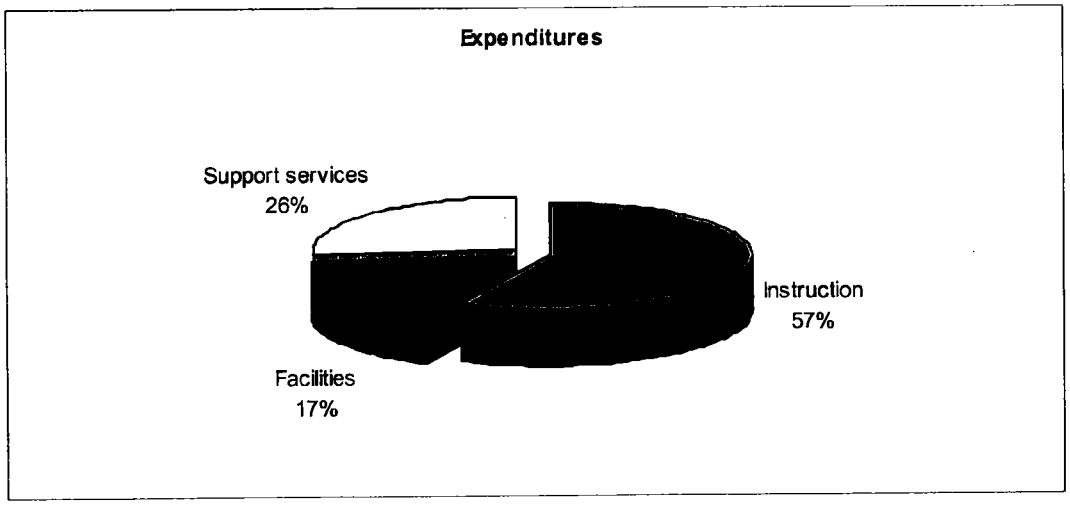
Changes in net assets. Net assets increased $1,216,625 during the current year primarily due to the replacement of reserves for catastrophic events in the Capital Projects fund. Although, unrestricted net assets decreased $171,533 from the Special Education spending down reserves.

Net Assets	2006	2005	Total Change
Current and other assets	$ 22,482,353	$ 14,202,212	$ 8,280,141
Capital assets	38,861,648	30,858,738	8,002,910
Total assets	61,344,001	45,060,950	16,283,051
Current and other liabilities	9,668,522	9,060,703	607,819
Long-term liabilities outstanding	23,418,702	8,854,024	14,564,678
Total liabilities	33,087,224	17,914,727	15,172,497
Net Assets			
Invested in capital assets, net of related debt	24,386,640	22,353,770	2,032,870
Restricted	1,967,217	2,611,929	(644,712)
Unrestricted	2,036,548	2,208,081	(171,533)
Total net assets	$ 28,390,405	$ 27,173,780	$ 1,216,625

Changes in Net Assets	2006	2005	Total Change
Revenues			
Program revenues			
Charges for services	$ 694,229	$ 417,880	$ 276,349
Operating grants and contributions	8,162,362	8,448,056	(285,694)
Capital grants and contributions	351,896	724,989	(373,093)
General revenues			
Property taxes	7,266,071	6,284,985	981,086
Federal and state aid	13,262,151	12,721,063	541,088
Earnings on investments	582,777	169,517	413,260
Miscellaneous	126,127	289,990	(163,863)
Total revenues	30,445,613	29,056,480	1,389,133
Expenses			
Instructional services	16,517,787	16,316,765	201,022
Supporting services:			
Students	610,418	581,067	29,351
Instructional staff	1,170,955	1,223,555	(52,600)
District administration	224,232	234,421	(10,189)
School administration	1,798,425	1,832,683	(34,258)
Business	590,251	523,659	66,592
Operation and maintenance of facilities	2,853,786	3,031,935	(178,149)
Transportation	1,904,758	1,777,944	126,814
School lunch services	1,333,367	1,247,855	85,512
Capital outlay	1,703,028	1,529,505	173,523
Interest on long-term liabilities	521,980	275,067	246,913
Total Expenses	29,228,987	28,574,456	654,531
Increase (decrease) in net assets	1,216,626	482,024	734,602
Net assets - beginning	27,173,779	26,691,755	482,024
Net assets - ending	$ 28,390,405	$ 27,173,779	$ 1,216,626

The District's total revenues increased by 4.8% and total expenses increased by 2.3%. Tax revenues increased due to the oil boom affecting the local economy and the resultant increase in taxable values. State revenues increased due to the increased enrollment of 100 students. Investment earnings increased due to the rising interest rates and the temporary investment of bond proceeds while until required to pay for building construction. Capital grants declined due to a grant received the prior year for a voice over IP phone system. Salaries, the cost of health care, and energy cost increases are the largest contributors to increased expenses.





Financial Analysis of the District's Funds

Governmental funds. The focus of the District's governmental funds is to provide information regarding the inflow, outflow, and remaining balances of resources. Revenues provided to the District are intended to be used during the period for which they were generated. Under Utah law, a budget may not include an undesignated fund balance. Any undesignated balance at the end of the fiscal year must be appropriated in the following fiscal year budget to prevent a District from collecting more revenue than needed for normal operations.

Fund balances of each fund must be spent within the purposes of the fund and may be reserved (as in the case of restricted programs) or designated and carried over to the subsequent year for specific purposes and are not available for appropriation.

Utah law allows an undistributed reserve fund balance in the general fund of up to 5% of its budget.

At the completion of the year the combined governmental fund balance was $12.6 million, $7.7 million more than the prior year. The change is due to an increase in reserves in the capital projects fund for construction projects of $7 million, and increasing the reserve for catastrophic events by $.7 million to its targeted amount of $1 million.

General fund budgetary highlights. The Board of Education revised the budget during the year for changes in programs, funding, and needs. The final budget anticipates revenues and expenditures to be approximately equal with only minor variances between the budget and actual results.

Capital Asset and Debt Administration

Capital Assets. The capital outlay fund accounts for the acquisition of land, construction and remodeling of buildings, and procurement of equipment and supplies necessary for the operation of the District. The following projects were under way during 2006:

- Construction of a new Junior High with an integrated community auditorium in Roosevelt began in March of 2005 at a cost of $17.5 million.

Capital assets as of June 30, 2006 (Net of accumulated depreciation)	2006	2005	Total Change
Land	$ 2,419,918	$ 2,419,918	$ -
Construction in progress	10,004,935	3,901,810	6,103,125
Buildings and improvements	24,724,891	22,899,786	1,825,105
Furniture and equipment	1,711,904	1,637,224	74,680
Total capital assets	$ 38,861,648	$ 30,858,738	$ 8,002,910

Debt Administration.

A loan from the Utah State Office of Education Revolving Loan Fund was obtained for $5 million in funding toward the new Junior High. The rate was established at 1.89%. The loan will be repaid over a five year period.

In partnership with Duchesne County, a $3 million 0% loan was obtained through the Utah Community Impact Board to fund the Community Auditorium portion of the Junior High project. The loan will be repaid over 20 years.

Variable rate lease revenue bonds in the amount of $7.65 million were issued through Wells Fargo Brokerage services with USbank providing Letter of Credit services to complete the financing package for the Junior High.

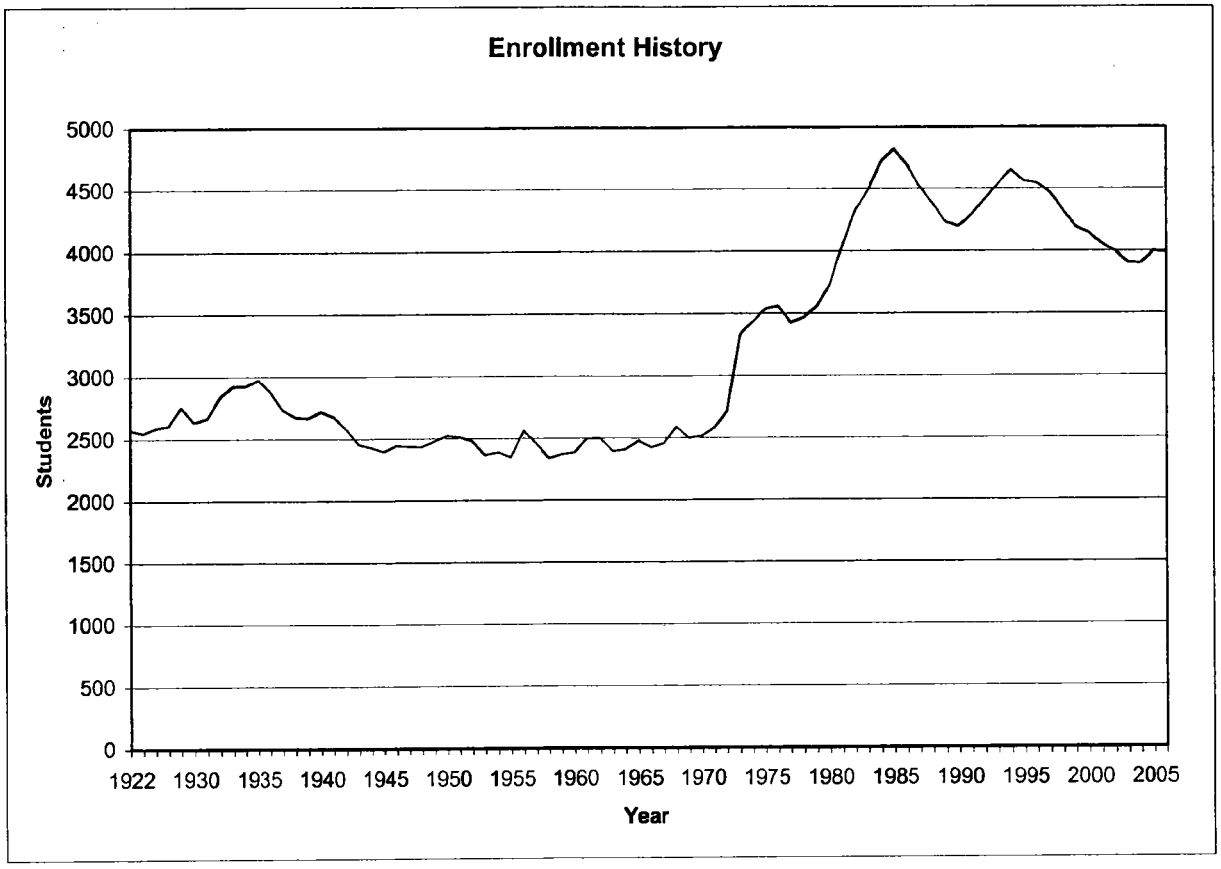
A $3 million bond proposal will go to the voters in November 2006 for approval to fund the renovation and expansion of Con Amore school.

General obligation debt is limited by Utah Law to 4% of the market value of property. Current unused legal debt capacity is $29,900,000 or 56%.

Outstanding long-term debt as of June 30, 2006	2006	2005	Total Change
General obligation bonds and notes	$ 23,050,886	$ 8,641,932	$ 14,408,954
Other debt obligations	-	-	-
Total general obligation debt	$ 23,050,886	$ 8,641,932	$ 14,408,954

Student Enrollment

Enrollment had experienced a steady decline of approximately 2% per year since 1994 with a total decline of 755 students. Aging population and the loss of jobs in a depressed economy contributed to the decline. The high price of oil has created a rebound in the local economy and kept student enrollment flat. State funding is variable and tied directly to enrollment numbers while the cost of many operations remains constant. The outlook is favorable with slightly increasing enrollments in the beginning grades.



Requests for Information

This financial report is designed to provide an overview of the District's finances. Any questions regarding this information or requests for additional information should be directed to the Business Administrator, Duchesne School District, 50 East 100 South / P.O. Box 446, Duchesne, Utah, 84021.

Basic Financial Statements

DUCHESNE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets:	
Cash and investments	$ 13,214,696
Receivables:	
Property taxes	7,456,047
Other governments	1,204,694
Local	-
Inventories and prepaid expenses	606,916
Bond issuance costs, net	133,628
Capital assets:	
Land and construction in progress	12,424,853
Other capital assets, net of depreciation	26,436,795
Total assets	61,477,629
Liabilities:	
Accounts payable	669,442
Accrued interest	145,036
Accrued salaries	1,775,505
Deferred property tax revenue	7,078,539
Noncurrent liabilities:	
Due within one year	2,674,809
Due in more than one year	20,743,893
Total liabilities	33,087,224
Net Assets:	
Invested in capital assets, net of related debt	24,386,640
Restricted for:	
School lunch	558,725
Non K-12 programs	96,346
Foundation	231,914
Capital projects	1,080,232
Debt service	-
Unrestricted	2,036,548
Total net assets	$ 28,390,405

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2006

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental activities:					
Instructional services	$ 16,517,787	$ 246,857	$ 6,013,908	$ 35,000	$ (10,222,022)
Supporting services:					
Students	610,418	-	233,479	-	(376,939)
Instructional staff	1,170,955	-	546,516	-	(624,439)
District administration	224,232	-	-	-	(224,232)
School administration	1,798,425	-	200,328	-	(1,598,097)
Business	590,251	-	142,185	-	(448,066)
Operation and maintenance of facilities	2,853,786	-	5,583	-	(2,848,203)
Transportation	1,904,758	9,402	89,848	-	(1,805,508)
School lunch services	1,333,367	437,970	930,515	-	35,118
Capital outlay	1,703,028	-	-	316,896	(1,386,132)
Interest on long-term liabilities	521,980	-	-	-	(521,980)
Total school district	$ 29,228,987	$ 694,229	$ 8,162,362	$ 351,896	$ (20,020,500)

General revenues:	
Property taxes levied for:	
General purposes	2,741,879
Transportation	177,698
Recreation	218,569
Debt service	481,562
Capital outlay	3,646,363
Federal and state aid not restricted to specific purposes	13,262,151
Earnings on investments	582,777
Miscellaneous	126,127
Total general revenues	21,237,126
Change in net assets	1,216,626
Net assets - beginning	27,173,779
Net assets - ending	$ 28,390,405

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Assets:				
Cash and investments	$ 2,397,694	$ 4,563,452	$ 696,212	$ 7,657,358
Restricted cash		5,557,338		5,557,338
Accounts receivable:				
Property tax	2,621,896	4,165,308	668,843	7,456,047
Local		-		-
State of Utah	-		51,877	51,877
Federal government	1,076,085	-	76,732	1,152,817
Inventories and prepaid expenses	308,563	143,204	155,149	606,916
Total assets	$ 6,404,238	$ 14,429,302	$ 1,648,813	$ 22,482,353
Liabilities and fund balances:				
Liabilities:				
Accounts payable	$ 95,464	$ 561,099	$ 12,879	$ 669,442
Accrued payroll and benefits	1,694,934	-	80,571	1,775,505
Deferred program revenue				
Deferred property tax revenue	2,615,897	4,157,320	668,378	7,441,595
Total liabilities	4,406,295	4,718,419	761,828	9,886,542
Fund Balances:				
Reserved for:				
Capital projects	-	8,485,615	-	8,485,615
Inventories		143,204	142,886	286,090
Debt service	-	-	-	-
Unreserved:				
Designated for:				
Undistributed reserve	450,279	-	-	450,279
Health Insurance		-	-	-
Schools		-	60,190	60,190
Programs	1,089,585	-	-	1,089,585
Early retirement	270,583	-	-	270,583
Compensated absences	187,496	-	-	187,496
Catastrophic events	-	1,000,000	-	1,000,000
Undesignated, reported in:				
General fund		-	-	-
Special revenue funds	-	82,064	683,909	765,973
Total fund balances	1,997,943	9,710,883	886,985	12,595,811
Total liabilities and fund balances	$ 6,404,238	$ 14,429,302	$ 1,648,813	$ 22,482,353

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006

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

Total fund balance - governmental funds	$ 12,595,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $67,601,388 and the accumulated depreciation is $28,739,740.	38,861,648
Property tax revenue is recognized when earned (claim to resources established) rather than when "available." A portion of the deferred property tax revenue is not available.	363,056
Interest on long-term debt is not accrued in governmental funds. Accrued interest for general obligation bonds is $145,036 and accrued interest for obligations under capital leases is $0.	(145,036)
Bond issue costs are reported as expenditures in the governmental funds. The cost is $160,857 and accumulated amortization is $27,229.	133,628
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(23,418,702)
Total net assets - governmental activities	$ 28,390,405

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 2,903,781	$ 3,689,553	$ 624,021	$ 7,217,355
Earnings on investments	98,957	467,139	16,681	582,777
School lunch sales	-	-	437,970	437,970
Other local sources	258,985	-	163,401	422,386
State sources	17,369,760	316,896	493,845	18,180,501
Federal sources	2,773,840	-	822,068	3,595,908
Total revenues	23,405,323	4,473,588	2,557,986	30,436,897
Expenditures:				
Current:				
Instructional services	14,915,695	718,593	743,214	16,377,502
Supporting services:				
Students	610,418	-	-	610,418
Instructional staff	1,170,955	-	-	1,170,955
District administration	200,291	-	-	200,291
School administration	1,747,104	-	-	1,747,104
Business	586,972	-	-	586,972
Operation and maintenance of facilities	2,739,154	968,174	-	3,707,328
Transportation	1,632,121	-	-	1,632,121
School lunch services	-	-	1,306,429	1,306,429
Capital outlay	-	9,313,590	-	9,313,590
Debt service:				
Principal retirement	-	834,645	406,401	1,241,046
Interest and fiscal charges	-	468,191	-	468,191
Bond issuance costs		122,332		122,332
Total expenditures	23,602,710	12,425,525	2,456,044	38,484,279
Excess (deficiency) of revenues over (under) expenditures	(197,387)	(7,951,937)	101,942	(8,047,382)
Other financing sources (uses):				
Transfers	(19,910)	-	19,910	-
Bond Proceeds	-	15,650,000	-	15,650,000
Payment to refunding bond escrow agent		-		-
Escrow advance	-	61,507	-	61,507
Sale of capital assets	-	28,077	-	28,077
Total other financing sources (uses)	(19,910)	15,739,584	19,910	15,739,584
Net change in fund balances	(217,297)	7,787,647	121,852	7,692,202
Fund balances - beginning	2,215,240	1,923,236	765,133	4,903,609
Fund balances - ending	$ 1,997,943	$ 9,710,883	$ 886,985	$ 12,595,811

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities

Year Ended June 30, 2006

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

Net change in fund balances-total governmental funds		$ 7,692,202
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	$ 9,313,590	
Gain on disposal of capital assets	28,077	
Proceeds from sales of capital assets	(28,077)	
Depreciation expense	(1,310,680)	8,002,910
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. 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. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General obligation bond proceeds	(15,650,000)	
Bond issuance costs	122,332	
Amortization of bond issuance costs	(16,261)	
Bond refunding deferred charges	(61,507)	
Amortization of bond refunding charges	14,807	
Bond refunding escrow payment	-	
Repayment of bond principal	1,241,046	
Interest expense - general obligation bonds	(68,596)	(14,418,179)
Delinquent property taxes are reported as deferred revenue in the governmental funds. However, they are reported as revenues in the statement of activities.		48,716
In the statement of activities, certain operating expenses -- compensated absences (vacations), and special termination benefits (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, vacation payable increased by $29,742 and early retirement payable increased by $79,281.		(109,023)
Change in net assets of governmental activities		$ 1,216,626

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes	$ 2,988,593	$ 2,942,000	$ 2,903,781	$ (38,219)
Earnings on investments	50,000	72,000	98,957	26,957
Other local sources	203,000	207,000	258,985	51,985
State sources	16,556,000	17,354,000	17,369,760	15,760
Federal sources	2,539,000	2,757,000	2,773,840	16,840
Total revenues	22,336,593	23,332,000	23,405,323	73,323
Expenditures:				
Current:				
Instructional services	14,561,000	15,366,000	14,915,695	450,305
Supporting services:				
Students	576,000	559,000	610,418	(51,418)
Instructional staff	1,141,000	1,129,000	1,170,955	(41,955)
District administration	209,000	205,000	200,291	4,709
School administration	1,761,000	1,732,000	1,747,104	(15,104)
Business	497,000	563,000	586,972	(23,972)
Operation and maintenance of facilities	2,688,000	2,760,000	2,739,154	20,846
Transportation	1,423,000	1,568,000	1,632,121	(64,121)
Total expenditures	22,856,000	23,882,000	23,602,710	279,290
Excess of expenditures over revenues	(519,407)	(550,000)	(197,387)	352,613
Other financing sources (uses):				
Transfer in			-	
Transfer out	(75,000)	(50,000)	(19,910)	(30,090)
Net change in fund balances	(594,407)	(600,000)	(217,297)	322,523
Fund balances - beginning	2,215,240	2,215,240	2,215,240	-
Fund balances - ending	$ 1,620,833	$ 1,615,240	$ 1,997,943	$ 322,523

The notes to the financial statements are an integral part of this statement.

DUCHESNE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2006

	Student Activities Fund
Assets:	
Cash and investments	$ 744,775
Liabilities:	
Due to student groups	$ 744,775

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

The financial statements of Duchesne County School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. Following is a summary of the significant accounting policies of the District.

The Reporting Entity – The District was established in 1915 as an independent political entity under the Constitution and laws of the State of Utah and provides elementary and secondary education in Duchesne County, Utah. The Board of Education, comprised of five elected officials, has primary governing authority for the District. Each Board Member is elected from the precinct in which they reside and serves for four years. The Board establishes policies, approves budgets, appoints administrators, and has authority to levy taxes and issue debt instruments. The District is not a component unit of any other government.

These financial statements present the activities of the District and its component units, the *Duchesne County School District Foundation* and the *Municipal Building Authority*, for which the District is considered to be financially accountable. Although a legally separate entity, a blended component unit is, in substance, a part of the District's operations.

Blended Component Units. The Duchesne County School District Foundation, established under Internal Revenue Service regulations as a nonprofit organization, raises tax-deductible donations for educational and charitable purposes, and is presented as a special revenue fund of the District. The Municipal Building Authority facilitates the issuance of financing for building projects, and is currently being utilized in connection with the new Junior High building project.

Government-Wide and Fund Financial Statements – The *government-wide financial statements* (i.e. the statement of net assets and statement of changes in net assets) report on all of the non-fiduciary activities of the District and its component unit.

The statement of activities compares the expenses of the District, categorized by function or activity, to program revenues by function. Program revenues include fees paid by recipients of goods or services provided by a function, and grants that are restricted to a particular function. Taxes and other revenues not identified with a specific function are presented as general revenues.

Fund financial statements are provided for governmental funds and fiduciary funds. The latter are excluded from the government-wide financial statements. Each fund has a different purpose and is accounted for separately. The emphasis of the fund statements is on the major governmental funds with each reported in a separate column. Remaining governmental funds are aggregated and reported as non-major funds.

The District reports major governmental funds as follows:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources not required to be in another fund.
- The *capital projects fund* accounts for the accumulated resources and payments to acquire building sites, construct and remodel facilities, and procurement of equipment and supplies.

Additionally, the District reports the *student activity fund* as a fiduciary fund which holds funds generated within the schools by students and organizations. This fund does not have a measurement focus or measure the results of operations.

Basis of Accounting – 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 liabilities are incurred regardless of when related cash flows take place. Property taxes are recognized as revenues when levied. Grant revenues are recognized when eligibility requirements are satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when both measurable and available. The District considers revenues to be available if collectable within thirty days after year-end with the exception of property taxes which are accrued when levied. Expenditures are recorded when a liability is incurred except for early retirement, and compensated absences, which are

recognized to the extent they have matured. When both restricted and unrestricted resources are available for use, restricted resources are used first.

Budgetary Data - Budgets are prepared on the modified accrual basis of accounting. Annual appropriations lapse at the end of each fiscal year with the exception of restricted programs indicated as a fund balance reserve. The following procedures are use to establish budgets:

- A proposed budget for the fiscal year commencing July 1 is submitted to the Board of Education during a public hearing in June.
- The budget is legally adopted the Board prior to June 22.
- A final budget, including any interim adjustments approved by the Board, is adopted the following June just prior to year-end.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Inter-fund Balances – There were no inter-fund payables or receivables to be eliminated from the financial statements.

Inventories and Prepaid Expenses – Inventories are valued using a weighted moving average cost, or fair value if donated. An equal reservation of fund balance is reported to indicate they are not "expendable resources." Prepaid expenditures include school supplies, health insurance, and workman's compensation insurance premiums to be utilized during the following year.

Capital Assets – Assets are capitalized and depreciated using the straight-line method according to the schedule blow. Assets are reported at cost or estimated historical cost in the government-wide financial statements. Land and construction in progress are not depreciated.

Asset Class	Useful Life (Years)	Capitalization Threshold
Land	N/A	$ 5,000
Buildings	45	100,000
Remodeling, Improvements, Systems	20	100,000
Athletic, Instructional, & Musical Equipment	10	5,000
Kitchen Custodial & Grounds Equipment	15	5,000
Computers, Copiers	5	5,000
Furniture	20	5,000
Vehicles (Cars, Trucks, Buses)	10	5,000

Fund Equity – Amounts segregated represent portions of fund equity legally restricted in its use by outside parties or committed for future use and are not available for general use.

2. Deposits and Investments

Resources from each fund are pooled for deposit and investment purposes. A separate accounting is maintained for each fund. Deposits and investments are stated at fair value, and are managed according to the Utah Money Management Act (Utah Code, Title 51, Chapter 7).

Deposits and investments at year-end appear in the financial statements as summarized below:

Cash	$ 2,357,464
Restricted cash	5,557,338
Investments	6,044,669
Total cash and investments	$ 13,959,471
Cash and investments - governmental funds, balance sheet	$ 13,214,696
Cash and investments - fiduciary fund, statement of net assets	744,775
Total cash and investments	$ 13,959,471

Deposits

A sweep account is used to invest cash float in the bank accounts. The carrying amount of bank deposits at year-end was $2,357,464 and the bank balance was $4,096,850 of which $409,084 was covered by federal depository insurance, $201,665 was collateralized, and $3,486,101 was exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risk – This is the risk that deposits would be lost in the event of a bank failure. Deposits that exceed federal agency insurance limits are uninsured and uncollateralized nor are they required to be by the Act. The State Money Management Council certifies depositories that adhere to the Act and rules of the Council as qualified to receive public funds. If a depository becomes ineligible to hold public funds, public treasurers are notified immediately. The District considers oversight of the Council necessary and sufficient for adequate protection of its uninsured bank deposits, and does not have a formal deposit policy for custodial credit risk.

Investments

The Money Management Act defines the types of securities and the conditions for making investments. Only qualified depositories and certified dealers may conduct transactions.

Investments are primarily through the Utah Public Treasurers' Investment Fund (PTIF) that invests in corporate debt, United States Treasury obligations, money market, and CD's. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized by the Money Management Act and the State Money Management Council provides oversight of its activities and investments. Investments are targeted to mature in 90 days or less to maintain liquidity while maximizing return on investment for participants. The PTIF is not insured or otherwise guaranteed by the State of Utah. The degree of risk of the PTIF depends upon the underlying portfolio, and is not subject to categorization as to credit risk. The PTIF operates on an amortized cost basis. Income, gains, or losses (net of administration fees), are allocated monthly based on each participant's average daily balance. The District's fair value position in the pool is materially equivalent to the value of pool shares.

Restricted cash on the fund financial statements ($5,557,338) is restricted by provisions of building construction bond agreements to hold them in escrow until construction costs have been incurred. It is invested in the PTIF.

As of June 30, 2006 the District had the following investments maturities and corresponding quality ratings:

			Investment Maturities (in years)			
Investment Type	Quality Rating	Fair Value	Less than 1	1-5	6-10	More than 10
State of Utah						
Public Treasurer's Investment Fund (PTIF)	Unrated	$ 6,044,669	$ 6,044,669	-	-	-
PTIF - Restricted cash	Unrated	5,557,338	5,557,338	-	-	-
Total Investments		$ 11,602,007	$ 11,602,007	$ -	$ -	$ -

Interest rate risk – The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Money Management Act requires the remaining term to maturity of an investment may not exceed the availability of the funds to be invested.

Credit risk – The risk that an issuer will not fulfill its obligations. The Act authorizes investments in obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies).

Custodial credit risk – In the event of the failure of a counter party, this is the risk that the District would not be able to recover the value of an investment in the possession of an outside party. Investments are held in the District's name by the District's custodial bank.

Concentration of credit risk – The risk of loss due to the magnitude of investments in a single issuer. The Act does not place any investment limitations on securities issued by the U.S. government and its agencies.

3. Property Taxes

The Duchesne County Treasurer collects property taxes for the District according to Utah statutes. A tax lien attaches to property as of January 1. Taxes are levied on September 1 and are payable on November 30. Motor vehicles are subject to an "age-based" fee due each year at registration, which is recognized as property tax revenue by the District when collected.

At year-end the District reported deferred property taxes in the fund financial statements of $7,441,595. A major portion of this accrual, $7,127,255, represents taxes levied on January 1 that are not due and collectable until November, does not meet the revenue recognition criteria, and is also reported as deferred revenue in the District-wide financial statements in the current reporting period. The remainder represents delinquent taxes that are reported as revenue.

4. Capital Assets

The District had one construction project under way, Roosevelt Junior High School, at year end at a total cost of $17.5 million. The project will be financed with long-term debt in the amount of $15.7 million with the remaining cost paid from cash reserves. At year end $10 million had been completed with $5.7 million yet to complete.

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 2,419,918	$ -	$ -	$ 2,419,918
Construction in progress	3,901,810	8,897,315	(2,794,190)	10,004,935
Total capital assets, not being depreciated	6,321,728	8,897,315	(2,794,190)	12,424,853
Capital assets, being depreciated:				
Buildings and improvements	47,236,570	2,794,190	-	50,030,760
Furniture and equipment	4,939,131	416,275	(209,631)	5,145,775
Total capital assets, being depreciated	52,175,701	3,210,465	(209,631)	55,176,535
Accumulated depreciation for:				
Buildings and improvements	(24,336,784)	(969,085)	-	(25,305,869)
Furniture and equipment	(3,301,907)	(341,595)	209,631	(3,433,871)
Total accumulated depreciation	(27,638,691)	(1,310,680)	209,631	(28,739,740)
Total capital assets, being depreciated, net	24,537,010	1,899,785	-	26,436,795
Governmental activities capital assets, net	$ 30,858,738	$ 10,797,100	$ (2,794,190)	$ 38,861,648

Depreciation expense for the year ended June 30, 2006 was allocated to functions of the District as follows:

Governmental activities:	
Instructional services	$ 814,809
Supporting services:	
District administration	23,941
School administration	35,561
Business	3,279
Operation and maintenance of facilities	93,515
Transportation	272,637
School lunch services	66,938
Total depreciation expense, governmental activities	$ 1,310,680

5. Retirement Plans

The Utah State Retirement Act (Section 49 of the Utah Code Annotated) established the Utah Retirement Systems (URS) in 1953 and provides for administration by the Utah Sate Retirement Board whose members are appointed by the Governor. A financial report is available at Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1.800.365.8772.

The URS is a cost-sharing multiple-employer entity that provides retirement and death benefits to members and beneficiaries according to statues. The District makes contributions to the URS contributory and noncontributory defined benefit pension plans on behalf of employees.

Employees participating in the contributory retirement plan are required to contribute 1% of annual covered compensation and the District contributes 13.88% The District contributes 13.38% of annual covered compensation for employees participating in the noncontributory plan and also contributes 1.5% to the 401(k) plan administered by the URS for these employees. Contribution rates are actuarially determined and are then authorized by the Utah State Retirement Board and statute. Contributions were equal to the required contributions for the year as follows:

Pension plan	Noncontributory	Contributory		401(k)		457
Fiscal Year	District Contributions	District Contributions	Employee Contributions	District Contributions	Employee Contributions	Employee Contributions
2006	$ 1,832,485	$ 110,870	$ 7,982	$ 251,442	$ 317,764	$ 4,440
2005	1,662,607	113,117	8,145	226,728	243,841	2,742
2004	1,493,644	104,261	8,539	219,157	250,151	

OPEB & Termination Benefits – The Governmental Accounting Standards Board (GASB) issued Statement #45 requiring the entire liability for Other Post Employment Benefits (post-retirement health care benefits) to be accrued. The District does not offer any OPEB plans and has no liability under GASB #45.

The District does offer voluntary termination benefits which are governed by GASB Statement #47 and are recognized to the extent they become payable in the current year. The District offers an early retirement incentive, for up to four years or until Medicare eligibility, to employees with at least ten years of employment. The incentive is half the savings of hiring a replacement employee, and allows retirees to purchase health care coverage prior to becoming eligible for Medicare at 105% of the employee rate. The discounted present value method was used to value the expected future benefit payments with a 5% discount rate and 10% health care inflation trend.

Outstanding termination benefits payable as of June 30, 2006	2006	2005	Total Change
Early retirement incentive	$ 260,045	$ 191,302	$ 68,743
Retiree health plan	10,538	-	10,538
Total early retirement benefits payable	$ 270,583	$ 191,302	$ 79,281

6. Risk Management

The District carries insurance coverage for general, automotive, personal injury, errors and omissions, and malpractice liability up to $10 million per occurrence through policies issued by Utah State Risk Management Fund a public entity risk pool. The District also insures its buildings through the same entity.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah.

Worker's compensation insurance is pooled with other districts in the state through the Utah School Boards Risk Management Mutual Insurance Association.

7. Long-Term Debt

Long-term liability activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt					
General obligation bonds	$ 8,641,932	$ 15,650,000	$ (1,241,046)	$ 23,050,886	$ 2,364,833
Lease-purchase obligations	-	-		-	-
Deferred amounts on refunding	(136,963)		46,700	(90,263)	
Total general obligation debt	8,504,969	15,650,000	(1,194,346)	22,960,623	2,364,833
Other Liabilities					
Accrued vacation payable	157,754	183,552	(153,810)	187,496	182,809
Early retirement payable	191,302	183,610	(104,329)	270,583	127,167
Total other liabilities	349,056	367,162	(258,139)	458,079	309,976
Total long-term liabilities	$ 8,854,025	$ 16,017,162	$ (1,452,485)	$ 23,418,702	$ 2,674,809

Payments on the general obligation bonds and leases are made by the debt service and capital outlay funds from property taxes. Accrued vacation and early retirement will be paid by the fund in which the employee worked.

The District issued on September 29, 2005, $7,650,000 variable rate lease revenue bonds.

The District entered into a lease agreement with Duchesne County on October 21, 2005 for a loan through the Utah Community Impact Board of $3,000,000.

The District borrowed $5,000,000 from the State Revolving Loan fund on December 15, 2005.

General Obligation Debt

Annual amortization of general obligation debt, including interest, as of June 30, 2006 is as follows:

	General Obligation Building Bonds		General Obligation Refunding Building Bonds		Utah State Office of Education Building Loan	
Issue Date	1997		2004		2002	
Original Amount	$6,870,000		$3,145,000		$3,500,000	
Interest Rate	4.125 to 5.35%		2 to 4%		2.00%	
Maturity Date	6/1/2012		6/1/2012		1/15/2007	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 500,000	$ 27,000	$ 35,000	$ 104,750	$ 694,833	$ 13,896
2008	-	-	570,000	103,875		
2009	-	-	585,000	86,775		
2010	-	-	605,000	69,225		
2011	-	-	630,000	48,050		
2012	-	-	650,000	26,000		
Total	$ 500,000	$ 27,000	$ 3,075,000	$ 438,675	$ 694,833	$ 13,896

	Qualified Zone Academy Building Bond		Utah State Office of Education Building Loan		Lease Revenue Building Bonds	
Issue Date	2004		2005		2005	
Original Amount	$3,500,000		$5,000,000		$7,650,000	
Interest Rate	1.69%		1.89%		4.30%	
Maturity Date	8/26/2017		12/15/2011		8/26/2017	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ -	$ 59,150	$ 960,000	$ 94,500	$ -	$ 329,244
2008	-	59,150	980,000	76,356	70,000	328,588
2009	-	59,150	1,000,000	57,834	75,000	325,015
2010	-	59,150	1,020,000	38,934	80,000	322,097
2011	-	59,150	1,040,000	19,656	80,000	318,837
2012-2016	2,500,000	295,750			2,480,000	1,355,484
2017-2021	631,053	118,300			4,865,000	667,669
Total	$ 3,131,053	$ 709,800	$ 5,000,000	$ 287,280	$ 7,650,000	$ 3,646,933

	Community Impact Board Building Loan	
Issue Date	2005	
Original Amount	$3,000,000	
Interest Rate	0.00%	
Maturity Date	8/26/2017	
Year Ending June 30,	Principal	Interest
2007	$ 175,000	$ -
2008	175,000	-
2009	175,000	-
2010	175,000	-
2011	175,000	-
2012-2016	775,000	-
2017-2021	750,000	-
2022-2026	600,000	-
Total	$ 3,000,000	$ -

	Total Debt		
	Total Principle	Total Interest	Grand Total
2007	$ 2,364,833	$ 628,540	$ 2,993,373
2008	1,795,000	567,969	2,362,969
2009	1,835,000	528,774	2,363,774
2010	1,880,000	489,406	2,369,406
2011	1,925,000	445,693	2,370,693
2012-2016	6,405,000	1,677,234	8,082,234
2017-2021	6,246,053	785,969	7,032,022
2022-2026	600,000	-	600,000
Total	$ 23,050,886	$ 5,123,584	$ 28,174,470

Individual Fund Statements

DUCHESNE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue					Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Duchesne County School District Foundation	Total	Debt Service	
Assets:						
Cash and investments	$ 374,053	$ 90,245	$ 231,914	$ 696,212	$ -	$ 696,212
Accounts receivable:						
Property tax	-	258,204	-	258,204	410,639	668,843
State of Utah	51,877	-	-	51,877	-	51,877
Federal government	34,560	42,172	-	76,732	-	76,732
Inventories and prepaid expenses	155,149	-	-	155,149	-	155,149
Total assets	$ 615,639	$ 390,621	$ 231,914	$ 1,238,174	$ 410,639	$ 1,648,813
Liabilities:						
Accounts payable	$ 12,879	$ -	$ -	$ 12,879	$ -	$ 12,879
Accrued payroll and benefits	44,035	36,536	-	80,571	-	80,571
Deferred property tax revenue	-	257,739	-	257,739	410,639	668,378
Total liabilities	56,914	294,275	-	351,189	410,639	761,828
Fund balances:						
Reserved for:						
Inventories	142,886	-	-	142,886	-	142,886
Debt service	-	-	-	-	-	-
Designated for schools	-	-	60,190	60,190	-	60,190
Unreserved, undesignated	415,839	96,346	171,724	683,909	-	683,909
Total fund balances	558,725	96,346	231,914	886,985	-	886,985
Total liabilities and fund balances	$ 615,639	$ 390,621	$ 231,914	$ 1,238,174	$ 410,639	$ 1,648,813

DUCHESNE COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Special Revenue					
	School Lunch	Non K-12 Programs	Duchesne School District Foundation	Total	Debt Service	Total Nonmajor Governmental Funds
Revenues:						
Property tax	$ -	$ 217,620	$ -	$ 217,620	$ 406,401	$ 624,021
Student fees	-	1,063	-	1,063	-	1,063
Lunch sales	437,970	-	-	437,970	-	437,970
Earnings on investments	-	7,547	9,134	16,681	-	16,681
Other local revenues	-	-	162,338	162,338	-	162,338
State aid	169,578	324,267	-	493,845	-	493,845
Federal aid	760,937	61,131	-	822,068	-	822,068
Total revenues	1,368,485	611,628	171,472	2,151,585	406,401	2,557,986
Expenditures:						
Current:						
Instructional services	-	637,949	105,265	743,214	-	743,214
School lunch services	1,306,429	-	-	1,306,429	-	1,306,429
Debt service:						
Principal retirement	-	-	-	-	406,401	406,401
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	1,306,429	637,949	105,265	2,049,643	406,401	2,456,044
Excess of revenues over expenditures	62,056	(26,321)	66,207	101,942	-	101,942
Other financing sources:						
Transfer in (out)	-	19,910	-	19,910	-	19,910
Net change in fund balances	62,056	(6,411)	66,207	121,852	-	121,852
Fund balances - beginning	496,669	102,757	165,707	765,133	-	765,133
Fund balances - ending	$ 558,725	$ 96,346	$ 231,914	$ 886,985	$ -	$ 886,985

DUCHESNE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006	2005
	Actual Amounts	Actual Amounts
Revenues:		
Local sources:		
Lunch sales - students	$ 399,417	$ 342,254
Lunch Sales - adult	19,187	17,157
Earnings on investments	-	-
Other sales	19,366	13,985
Total local sources	437,970	373,396
State sources:		
State lunch program	169,578	146,528
Total state sources	169,578	146,528
Federal sources:		
Lunch program	94,597	86,837
Free and reduced assistance	454,331	464,210
Breakfast program	135,610	124,270
Smecial Milk / Snack	7,018	3,619
Donated commodities	69,381	72,486
Total federal sources	760,937	751,422
Total revenues	1,368,485	1,271,346
Expenditures:		
Current:		
Salaries	441,308	391,178
Employee benefits	180,899	232,079
Purchased services	3,266	3,499
Food	523,961	477,545
Other supplies	95,661	99,140
Equipment	21,334	11,825
Indirect cost allocation	40,000	-
Total expenditures	1,306,429	1,215,266
Excess of expenditures over revenues	(1,237,048)	(1,142,780)
Other financing sources (uses):		
Transfer out	-	(100,000)
Net change in fund balances	62,056	(43,920)
Fund balances - beginning	496,669	540,589
Fund balances - ending	$ 558,725	$ 496,669

DUCHESNE COUNTY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances

Non K-12 Programs

Nonmajor Special Revenue Fund

Year Ended June 30, 2006

With Comparative Totals for 2005

	2006	2005
	Actual Amounts	Actual Amounts
Revenues:		
Local sources:		
Property taxes	$ 217,620	$ 196,103
Adult education fees	1,063	-
Earnings on investments	7,547	3,779
Total local sources	226,230	199,882
State sources:		
Special education - preschool	261,425	250,930
Adult high school completion	62,842	53,350
Total State Sources	324,267	304,280
Federal sources:		
Special education - preschool	33,526	32,691
Adult education	27,605	27,736
Total federal sources	61,131	60,427
Total revenues	611,628	564,589
Expenditures:		
Current:		
Salaries	493,934	481,550
Employee benefits	132,275	144,557
Purchased services	1,773	3,451
Supplies	9,267	17,025
Equipment	700	1,191
Other	-	-
Total expenditures	637,949	647,774
Excess (deficiency) of revenues over expenditures	(26,321)	(83,185)
Other financing sources (uses):		
Transfer in (out)	19,910	53,576
Net change in fund balances	(6,411)	(29,609)
Fund balances - beginning	102,757	132,366
Fund balances - ending	$ 96,346	$ 102,757

DUCHESNE COUNTY SCHOOL DISTRICT

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

DUCHESNE COUNTY SCHOOL DISTRICT FOUNDATION

Nonmajor Special Revenue Fund

Years Ended June 30, 2006 and 2005

	2006	2005
Revenues:		
Local sources:		
Contributions	$ 162,338	$ 124,499
Earnings on investments	9,134	4,743
Total revenues	171,472	129,242
Expenditures:		
Current:		
Program services - graduating student scholarships	105,265	115,013
Net change in fund balances	66,207	14,229
Fund balances - beginning	165,707	151,478
Fund balances - ending	$ 231,914	$ 165,707

DUCHESNE COUNTY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Fund

Year Ended June 30, 2006

With Comparative Totals for 2005

	2006	2005
	Actual Amounts	Actual Amounts
Revenues:		
Property tax	$ 406,401	$ 140,329
Total revenues	406,401	140,329
Expenditures:		
Debt service:		
Bond principal	406,401	140,329
Bond interest	-	-
Total expenditures	406,401	140,329
Net change in fund balances	-	-
Fund balance - beginning	-	-
Fund balance - ending	$ -	$ -

DUCHESNE COUNTY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance

Major Capital Projects Fund

Year Ended June 30, 2006

With Comparative Totals for 2005

	2006	2005
	Actual Amounts	Actual Amounts
Revenues:		
Property taxes	$ 3,689,553	$ 3,325,425
Earnings on investments	467,139	90,242
Other local	-	5,073
State sources - capital outlay foundation	316,896	451,989
Federal sources	-	-
Total revenues	4,473,588	3,872,729
Expenditures:		
Capital outlay:		
Salaries	157,798	145,642
Employee benefits	50,962	32,326
Purchased services	262,104	112,980
Supplies and materials	1,215,903	988,588
Land and improvements	-	198,270
Buildings	8,897,315	4,061,529
Equipment	146,826	229,841
Buses	208,136	281,904
Vehicles	61,313	-
Total capital outlay	11,000,357	6,051,080
Debt Service:		
Principal	834,645	1,451,612
Interest	468,191	244,879
Bond issuance costs	122,332	38,525
Total debt service	1,425,168	1,735,016
Total expenditures	12,425,525	7,786,096
Excess (deficiency) of revenues over expenditures	(7,951,937)	(3,913,367)
Other Financing Sources (Uses):		
General obligation bond proceeds	15,650,000	3,500,000
Proceeds of refunding bonds	-	3,228,764
Payment to refunding bond escrow agent	-	(3,167,184)
Escrow advance for amortized interest	61,507	71,795
Sale of capital assets	28,077	12,215
Total other financing sources (uses)	15,739,584	3,645,590
Net change in fund balances	7,787,647	(267,777)
Fund balance - beginning	1,923,236	2,191,013
Fund balance - ending	$ 9,710,883	$ 1,923,236

DUCHESNE COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student Activities Agency Fund
Year Ended June 30, 2006

	Net Assets at July 1, 2005	Additions	Deductions	Net Assets at June 30, 2006
Assets:				
Cash and investments	$ 715,472	$ 1,405,384	$ 1,376,081	$ 744,775
Liabilities:				
Due to student organizations:				
Altamont Elementary	5,339	38,727	33,047	11,020
Duchesne Elementary	16,819	51,363	44,005	24,178
East Elementary	28,315	80,701	64,122	44,895
Myton Elementary	24,909	33,087	19,291	38,705
Neola Elementary	14,117	15,015	15,025	14,107
Roosevelt Middle	52,649	64,254	69,649	47,254
Roosevelt Junior High	28,753	136,267	129,443	35,577
Altamont High	58,203	167,175	158,202	67,176
Duchesne High	49,117	165,025	173,332	40,810
Tabiona	45,874	109,528	102,386	53,015
Union High	378,831	528,357	552,622	354,564
Con Amore	8,248	6,121	5,409	8,960
Thompson	4,298	9,764	9,548	4,514
Total due to student organizations	715,472	1,405,384	1,376,081	744,775
Total liabilities	$ 715,472	$ 1,405,384	$ 1,376,081	$ 744,775

Statistical Section

Unaudited

DUCHESNE COUNTY SCHOOL DISTRICT
General Fund - Per Capita Operating Costs By School
Year Ended June 30, 2006

SCHOOL	CODE	PER CAPITA	AVERAGE DAILY MEMBERSHIP	% OF AVERAGE DAILY MEMBERSHIP	% OF TOTAL OPERATION COSTS	TOTAL OPERATION COSTS	INSTRUCTION	SUPPORT SERVICES: STUDENTS	SUPPORT SERVICES: INSTRUCTION STAFF	SUPPORT SERVICES: GENERAL ADMIN.	SUPPORT SERVICES: SCHOOL ADMIN.	SUPPORT SERVICES: BUSINESS ADMIN.	BUILDING OPER. & MTN.	PUPIL TRANS.
Altamont Elementary	104	$ 6,444	255	6.77%	6.96%	$ 1,643,714	$ 1,088,269	$ 14,919	$ 100,325	$ 13,564	$ 122,924	$ 39,749	$ 139,553	$ 124,411
Duchesne Elementary	108	5,896	317	8.42%	7.92%	1,869,566	1,224,893	18,548	100,248	16,863	132,933	49,419	171,096	155,566
East Elementary	110	5,893	548	14.56%	13.69%	3,230,721	2,249,050	32,068	136,946	29,155	173,322	85,442	307,729	217,009
Myton Elementary	112	7,963	109	2.91%	3.69%	871,376	562,963	6,401	34,342	5,819	70,287	17,054	125,491	49,019
Neola Elementary	116	6,268	141	3.75%	3.75%	885,063	539,092	8,259	42,739	7,509	77,638	22,004	123,663	64,160
Tabiona Elementary	124	8,621	68	1.80%	2.47%	583,864	399,079	3,961	20,782	3,601	40,643	10,554	67,710	37,534
Roosevelt Middle	304	5,579	461	12.23%	10.89%	2,570,585	1,707,490	26,948	152,408	24,500	161,607	71,800	248,417	177,415
Roosevelt Junior High	404	5,903	388	10.29%	9.70%	2,288,804	1,433,084	77,630	131,496	20,619	146,681	60,426	268,192	150,677
Altamont High	704	7,393	224	5.94%	7.01%	1,653,395	948,930	113,901	77,771	11,893	126,872	34,852	232,529	106,648
Duchesne High	708	6,439	290	7.69%	7.90%	1,865,428	1,057,664	83,944	91,979	15,406	152,778	45,148	290,436	128,073
Tabiona High	712	7,910	83	2.19%	2.77%	652,651	396,430	5,476	29,452	4,387	66,668	12,858	95,684	41,695
Union High	714	5,573	808	21.44%	19.07%	4,501,053	2,673,726	213,937	233,020	42,949	293,105	125,867	570,277	348,172
Con Amore	802	13,859	37	0.99%	2.20%	519,176	330,603	2,191	8,119	1,992	90,886	5,838	62,906	16,641
Thompsen	804	12,219	38	1.02%	1.98%	467,312	304,419	2,237	11,328	2,034	90,761	5,960	35,471	15,102
Totals			3,767	100.00%	100.00%	$ 23,602,709	$ 14,915,694	$ 610,418	$ 1,170,955	$ 200,291	$ 1,747,104	$ 586,972	$ 2,739,154	$ 1,632,121
District Average:		$ 6,266												

Instruction	Direct & Prorated Indirect
Support Services:	
Students	Direct & Prorated Indirect
General Administration	Average Daily Membership
School Administration	Direct & Prorated Indirect
Business Administration	Average Daily Membership
Building Oper. & Maint.	Direct & Prorated Indirect
Transportation	Direct & Prorated Indirect
Information Services	Average Daily Membership

DUCHESNE COUNTY SCHOOL DISTRICT
PROPERTY TAXES

Year Ended June 30. 2006

Taxable and Estimated Fair Market Values

Tax Year	Taxable Value	Percentage Change	Estimated Fair Market Value	Percentage Change	Ratio of Taxable Value to Fair Market Value
2006	$ 1,107,152,334	36.0%	$ 1,321,702,423	34.5%	83.8%
2005	814,008,836	19.4%	983,031,693	18.4%	82.8%
2004	681,878,262	12.1%	830,580,889	11.8%	82.1%
2003	608,225,400	5.3%	742,865,811	5.9%	81.9%
2002	577,528,811	-2.2%	701,212,228	-0.9%	82.4%
2001	590,279,192	10.0%	707,296,087	9.4%	83.5%
2000	536,494,022	9.3%	646,712,011	7.6%	83.0%
1999	490,668,923	-16.6%	601,029,783	-16.3%	81.6%
1998	588,554,942	6.4%	718,037,029	6.3%	82.0%

Schedule of Property Tax Rates

Tax		Maximum Tax Rate (1)	Calendar Year 2006	2005	2004	2003
Basic Program	(2)	Formula	0.001515	0.001720	0.001800	0.001825
Voted Leeway	(3)	0.001600	0.000800	0.000800	0.000800	0.000800
Board Leeway	(4)	0.000400	0.000400	0.000400	0.000400	0.000400
Reading Achievement	(5)	0.000121	0.000121	0.000117	0.000121	
Transportation	(6)	0.000300	0.000300	0.000200	0.000200	0.000211
Tort Liability	(7)	0.000100	0.000043	0.000049	0.000061	0.000065
Recreation	(8)	None	0.000240	0.000246	0.000253	0.000268
Debt Service	(9)	Sufficient	0.000638	0.000542	0.000223	0.000903
Capital Outlay	(10)	0.002400	0.002400	0.002400	0.002400	0.002400
10% of Basic	(11)	Formula	0.001446	0.001704	0.001859	0.001124
Judgement	(12)	Sufficient	-	-	-	-
Total			0.007903	0.008178	0.008117	0.007996

1 Maximum tax rate where applicable under State law.
2 Set by law to fund the State Minimum School Program.
3 General revenue. Tax rate of 0.000800 was authorized by vote of the District population on May 11, 1993.
4 General revenue. Adopted by the Board of Education January 6, 2000 before restrictions on use were enacted by the State.
5 Reading improvement program for grades K-3.
6 Hazardous bus routes, activity trips and field trips.
7 Liability insurance.
8 Athletics and recreation.
9 Limited to applicable levy to provide for payment of principal and interest on general obligation bonds authorized by voters.
10 Construction and remodeling of buildings and purchase of sites, equipment, etc.
11 Construction, remodeling, and maintenance of buildings and purchase of textbooks, supplies, equipment, etc.
12 Tax revenue shortfalls due to revaluation of taxable values may be levied in the succeeding tax year.

DUCHESNE COUNTY SCHOOL DISTRICT
TAX COLLECTION RECORD

Year Ended June 30, 2006

Tax Year	Tax Levied	Current Collections	Percent of Current Collections	Delinquent Collections	Total Current and Delinquent Collections	Percent of Total Collections	Fee in Lieu	Total Property Tax Collections
2005	$ 6,195,950	$ 6,148,098	99.2%	$ 269,949	$ 6,418,047	103.6%	$ 799,307	$ 7,217,354
2004	5,169,041	4,967,508	96.1	471,393	5,438,901	105.2	836,861	6,275,762
2003	4,856,895	4,532,659	93.3	424,294	4,956,953	102.1	720,594	5,677,547
2002	4,656,198	4,200,546	90.2	309,487	4,510,033	96.9	777,646	5,287,679
2001	4,639,660	4,329,161	93.3	216,552	4,545,713	98.0	695,261	5,240,974

Duchesne County School District

Audit Reports Required Under
the Single Audit Act of 1996

For the Year-ended June 30, 2006

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DUCHESNE COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

Federal Department	C.F.D.A. Number	Agency or Pass-through Number	Federal Expenditures
Department of Education			
Impacted Area Aid, PL-874	84.041	U.S. Dept of Ed	$ 112,133
Indian Education	84.060	U.S. Dept of Ed	59,029
Vocational Education, Title II	84.048	Utah State Ed	71,218
Improving America's Schools, Title 1	84.010	Utah State Ed	675,876
Reading First, Title 1B	84.357	Utah State Ed	362,416
IDEA Part B	84.027	Utah State Ed	816,477
Technology Literacy Challenge Fund, Title IID	84.318	Utah State Ed	30,153
Preschool 3-5	84.173	Utah State Ed	33,526
Improving Teacher Quality, Title IIA	84.367	Utah State Ed	220,042
Drug Free Schools, Title IV	84.186	Utah State Ed	38,841
Title III	84.365	Utah State Ed	
Professional Development of Rural Educators	84.369	Utah State Ed	2,990
Service Learning	84.000	Utah State Ed	
Lit. Improvement for Rural School Districts	84.364	Utah State Ed	15,080
Literacy	84.000	Utah State Ed	
Adult Basic Education	84.002	Utah State Ed	11,700
Prison-Institutions	84.331	Utah State Ed	15,905
Connections--21st Century	84.287	Utah State Ed	50,656
Rural Schools Technology Grant	84.318	Utah State Ed	7,081
Art in Education	84.351	Utah State Ed	1,500
eMints	84.000	Utah State Ed	132,099
Title VA, Innovative Programs	84.358	Utah State Ed	6,830
Federal Communications Commission			
Univeral Service for Schools (e-rate)	32.000	F.C.C.	85,581
Department of Health & Human Services			
Medicaid Administrative Outreach	93.700	U.S. Dept of Health	8,104
Department of Agriculture			
Food & Nutrition Services			
School Breakfast	10.553	Utah State Ed	135,610
National School Lunch	10.555	Utah State Ed	555,946
Food Distribution, USDA Commondities	10.555	Utah State Ed	69,381
Forest Service			
Forest Reserve Program	10.666	U.S. Forest Service	77,734
Total All Programs			$ 3,595,908

NOTE A: The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's Federal Award Programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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Report on Compliance And on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Board of Education
Duchesne County School District
Duchesne, Utah 84201

We have audited the general purpose financial statements of the Duchesne County School District (the School District) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and 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.

Aycock, Miles & Associates, CPAs

October 3, 2006

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Report on Compliance With Requirements Applicable to Each Major Program And Internal Control Over Compliance in Accordance With OMB Circular A-133

Honorable Board of Education
Duchesne County School District
Duchesne, Utah 84201

Compliance

We have audited the compliance of the Duchesne County School District, (the School District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the Duchesne County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on School District's compliance with those requirements.

In our opinion, the Duchesne County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Duchesne County School District's is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major

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federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the School District as of and for the year ended June 30, 2006, and have issued our report dated October 3, 2006. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Aycock, Miles & Associates, CPAs

October 3, 2006

Schedule of Findings and Questioned Costs

This report discusses four key areas: 1) a summary of auditor's results, 2) findings related to the financial statements, 3) findings and questioned costs related to federal awards, and 4) findings related to Utah State compliance requirements.

SUMMARY OF AUDITORS' RESULTS

Financial Statement Opinion
The financial statement opinion for the District was an unqualified opinion.

Internal Control Reportable Conditions
No reportable conditions were noted in the Single Audit Report.

Noncompliance Material to the Financial Statements
We issued an unqualified opinion in regard to compliance requirements, laws, and regulations.

Major Program Internal Controls Over Compliance
We issued an unqualified opinion in regard to internal controls over major program compliance.

Opinion on Compliance for Major Programs
In our opinion, the District complied, in all material respects, with compliance requirements, laws, and regulations applicable to its major programs.

Audit Findings Required to be Disclosed under OMB A-133 §_.510(a)
There are no audit findings under OMB *A-133 §_.510(a)*.

Major Programs Identified
Based on the high and low-risk criteria and threshold amounts two major programs identified: Individuals with Disabilities Education Act, Part B and Improving Teacher Quality (CFDA Nos. 84.027 and 84.367).

Dollar Threshold Used to Determine Type A & B Programs
The threshold used in this Single Audit was $300,000 in determining Type A or B programs.

Low-Risk or High-Risk Auditee
The District qualified to be a low-risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

No prior or current year findings in this area.

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

No prior or current year findings in this area.

STATE OF UTAH GENERAL COMPLIANCE

No prior or current year findings in this area.

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Independent Auditors' Report on State of Utah Legal Compliance

Honorable Board of Education
Duchesne County School District
Duchesne, Utah 84201

We have audited the general purpose financial statements of Duchesne County School District, (the School District), for the year ended June 30, 2006 and have issued our report thereon dated October 3, 2006. As part of our audit, we have audited the School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2006. The School District received the following major State assistance programs from the State of Utah Office of Education:

Minimum School Programs	Guarantee on Transportation Levy	Quality Teaching Block Grant
Local Discretionary Block Grant	Capital Outlay Foundation	School Lunch
Interventions for Student Success	Behind-the-Wheel Driver Education	Board Leeway
Voted Leeway	Pupil Transportation	

The School District also received the following nonmajor grants which are not required to be audited for specific compliance requirements, however, these programs were subject to testwork as part of the audit of School District's financial statements:

Accelerated Learning	Supplemental/Other Bills	School Land Trust Program
Technology, Life & Careers	At Risk Programs	Adult Basic Skills
Adult High School Completion		

Our audit also included test work on the School District's compliance with those general compliance requirements identified in the *State of Utah's Legal Compliance Audit Guide,* including:

Public Debt	Property Tax	Budgetary Compliance
Purchasing Requirements	Cash Management	Other Compliance Requirements

The management of School District is responsible for the School District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 a material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements. We believe that our audit provides a reasonable basis for my opinion.

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The results of our audit procedures disclosed no instances of noncompliance with the major or general requirements referred to above.

In our opinion, Duchesne County School District complied, in all material respects, with the major grant compliance requirements and the general compliance requirements identified above for the year ended June 30, 2006.

Aycock, Miles & Associates, CPAs

October 3, 2006