EMERY COUNTY SCHOOL DISTRICT

Financial Statements

June 30, 2006

EMERY SCHOOL DISTRICT

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Year Ended June 30, 2006

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Emery County School District
List of Elected and Appointed Officials
June 30, 2006

Elected Officials

Members of the Board of Education	Present Term Began	Present Term Expires	Initial Appointment
Sam Singleton Precinct I	January 1, 2005	January 3, 2009	January 2001
Laurel Johansen President of the Board Precinct II	January 1, 2005	January 3, 2009	January 1997
Rue Ware Vice President of the Board Precinct III	January 1, 2005	January 3, 2009	January 2001
Marie Johnson Precinct IV	January 1, 2003	January 3, 2007	November 1990
Royd Hatt Precinct V	January 1, 2003	January 3, 2007	July 1989

Appointed Officials

Kirk Sitterud Superintendent	July 2004	July 2006	July 1997
Ross C Huntington Business Administrator	January 2006	January 2008	January 1998

The term of office for a board member is four years, whereas the term of office of the Superintendent and Business Administrator is two years.

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Emery County School Board
Emery County School District
Huntington, Utah 84528

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emery County School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Emery County 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 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emery County School District as of June 30, 2006, and the respective budgetary comparison for the general fund 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 our report dated September 18, 2006, on our consideration of Emery County School District's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Emery County School Board
Emery County School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emery County School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Emery County School District. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards 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 statistical 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 it.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 18, 2006
Richfield, Utah

1. FINANCIAL SECTION

Management Discussion and Analysis

As management of the Emery County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006.

Financial Highlights

- As of the close of the current fiscal year, all of the District's governmental funds reported positive fund balances for a total of $8,376,578; an increase of $1,366,256 in comparison with the prior year. Of the total fund balance amount, $2,087,049 is reserved for construction projects, $1,633,446 is reserved for specific programs, $246,191 reserved for debt service, and $56,085 reserved for child nutrition program. The balance, $4,353,807, represents 22.24% of actual expenditures and is available for spending at the district's discretion (unreserved fund balance).

- On June 11, 2004, the District sold $1,510,000 of General Obligation School Building Bonds, Series 2004. The bonded indebtedness of the District is $1,722,000, which is 2.8% of the School District's legal debt limit.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
The *statement of activities* presents information showing how the government's net assets 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 in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: government funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resource available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-34 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 37-41 of this report.

Government -wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $21,938,990 at the close of the most recent fiscal year.

Net Assets

Governmental Activities

	2006	2005	Total Change
Current and other assets	$ 18,894,259	$ 16,897,675	$ 1,996,584
Capital assets	16,432,468	17,152,051	(719,583)
Total assets	35,326,727	34,049,726	1,277,001
Long-term liabilities outstanding	1,986,308	4,186,324	(2,200,016)
Other liabilities	11,401,429	9,891,290	1,510,139
Total liabilities	13,387,737	14,077,614	(689,877)
Net assets:			
Invested in capital assets, net of related debt	14,710,468	15,288,660	(578,192)
Restricted	2,146,813	4,144,916	(1,998,103)
Unrestricted	5,081,709	538,536	4,543,173
Total net assets	$ 21,938,990	$ 19,972,112	$ 1,966,878

The largest portion of the District's net assets (67.1%) reflects investment in capital assets (e.g., land, water stock, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (9.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($5,081,709) may be used to meet the District's ongoing obligations to students, employees , and creditors.

There was an increase of $1,996,584 in Current Assets; 78% of this increase ($1,568,006) is a result of lower 2006 expenditures in the Capital Projects fund. In 2005, bond funds were spent on major roofing, heating and air conditioning remodeling projects totaling $1,154,291. In contrast, the 2006 Capital Projects expenditures completed the remaining $306,609 bond funds.

Another contributor to the increase is the unspent 2006 Capital Projects funds reserved for a gymnasium project that will begin in the 2006-07 fiscal year.

The total net assets of the District increased by $1,966,878 during the current fiscal year. The following discussion and analysis on governmental activities focuses on this increase.

Governmental activities. The key elements of the increase of the District's net assets for the year ended June 30, 2006 are as follows:

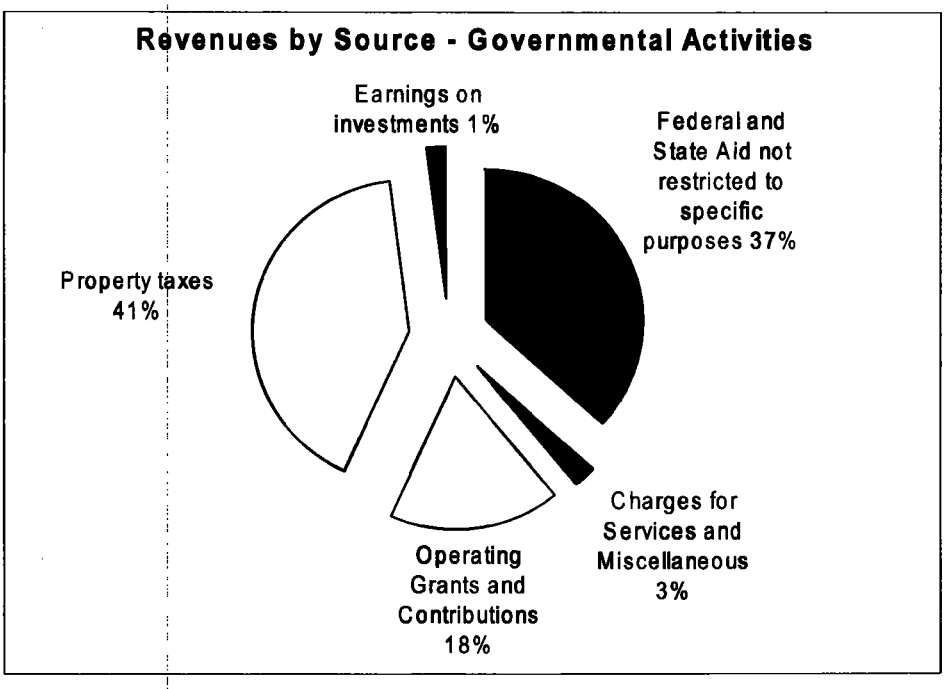
	Governmental activities		Increase (Decrease)
	2006	2005	from Fiscal 2005
Revenues:			
Program revenues:			
Charges for services	309,123	299,016	10,107
Operating grants and contributions	3,680,311	3,703,541	(23,230)
Capital grants and contributions	-	-	-
General revenues:			-
Property taxes	8,664,036	8,736,730	(72,694)
Federal and state aid not restricted to specific purposes	7,648,163	7,412,301	235,862
Earnings on investments	411,367	231,039	180,328
Miscellaneous	219,667	88,697	130,970
Total revenues	20,932,667	20,471,324	461,343
Expenses:			
Instructional services	12,153,189	14,024,717	(1,871,528)
Supporting services:			-
Students	392,265	457,717	(65,452)
Instructional staff	318,722	345,853	(27,131)
District administration	364,266	366,161	(1,895)
School administration	1,371,892	1,617,463	(245,571)
Business	248,223	246,088	2,135
Operation and maintenance	2,218,868	1,660,475	558,393
Transportation	951,160	992,914	(41,754)
Other			-
School Lunch services	870,734	935,268	(64,534)
Interest on long-term liabilities	76,470	95,470	(19,000)
Total expenses	18,965,789	20,742,126	(1,776,337)
Increase (decrease) in net assets	1,966,878	(270,802)	2,237,680
Net assets - beginning	19,972,112	20,242,914	(270,802)
Net assets - ending	21,938,990	19,972,112	1,966,878

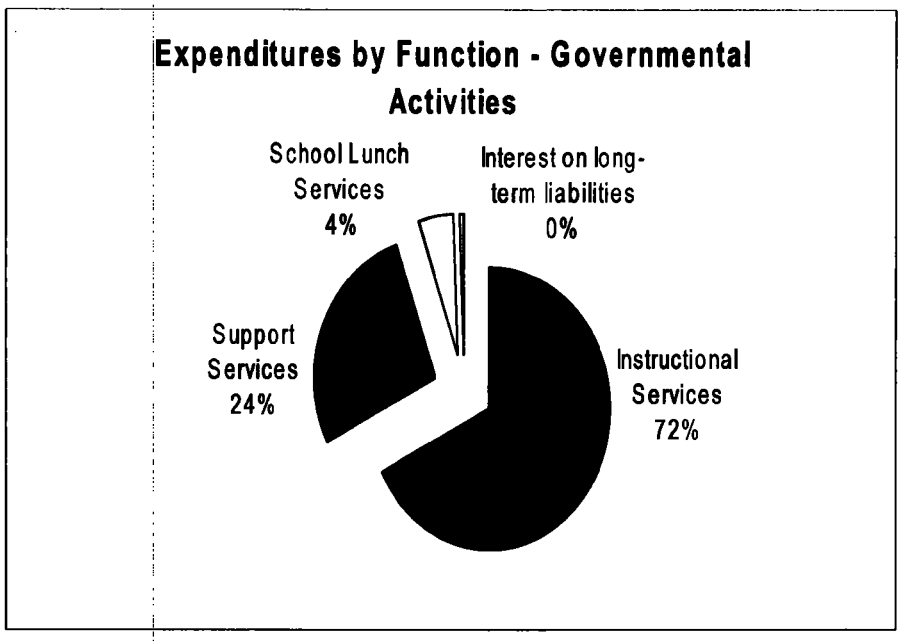
- The largest difference in revenue reflects the increase in Federal and State aid not restricted to specific purposes. The increase is directly related to the 4.5% increase in state funding for WPU's and also because of stable enrollment. The District also received an increase of $57,074 in state special education funds. However, the District also realized a decrease in vocational and transportation funding. A decrease of $117,656 was also reflected in the one-time bonus received only in FY05. Earnings on investments also received a substantial increase because of the District's cash investment in the Public Treasurer's Investment Fund that reported returns of 3.18% at the end of FY05 and 5.01% at the end of FY06.

- The largest difference in expenditures reflects in Instruction because of the Capital Projects completed in FY05 with the capitalizing of major building projects giving a higher than usual instructional expense. The decrease in the early retirement liability of $902,285 is also reflected in instruction and district administration, $721,828 and $180,457 respectively. The difference in Instruction also includes the increase in salaries and benefit packages of $276,296.

- The substantial change in Operation and Maintenance is due to a change of accounting for the salary expenses that were charged to the Capital Projects fund in FY05 and changed to the General fund for FY06 ($409,378). Increases in natural gas and electricity utilities ($84,662 and $20,715, respectively) for FY06 are also reflected in the Operation and Maintenance function variance.

- Depreciation expenses of $1,075,668 were appropriated to the functions according to percent of total expenses.





Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and post employment obligations that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

- *General fund.* The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved and undesignated fund balance was $1,310,290 while the total fund balance was $2,860,075. The unreserved and undesignated fund balance decreased by $405,300 while the total fund balance actually increased by $305,215. Key factors of this change are as follows:

- Total state revenues increased in 2006 by $209,627 or 2.3%. This was largely the result of the increase of 4.5% in the Weighted Pupil Unit (WPU) with a decrease of only 28 students or 1.2%. The offset to this increase in state funding is the one-time bonus funds received only in FY05 of $117,656. However, the federal revenue stayed extremely consistent with a decrease of only $13,034 overall programs.

- Local property tax revenue increased $119,680 or 2.5%. This resulted from a slightly higher property valuation.

- The District has benefited from two consecutive years of substantial increases in the Earnings on Investments. Interest Earnings have increased by 78% or $180,328 for a total of $411,367 for FY06 and 81% or $103,588 in FY05. These finances have been used solely in the general fund.

- Expenditures for the general fund increased $123,873 or .8% during the current fiscal year. The exchange of Maintenance personnel expenditures from the Capital Projects fund to the General fund resulted in an expenditure increase of $409,378. The full effect of that change does not stand out because of a decrease in personnel expenses from FY05 ($287,390).

- Transportation decreases of $40,354 for the District derive from several factors. The expense of the two buses that are purchased each fiscal year was $14,171 lower in FY06 because the latest purchase being for smaller buses. The decrease in personnel of $39,342 is a result of fewer employees with higher benefit packages and early retirement benefits ending. However, the continuing rise in oil prices increased motor fuel expenses by $13,460 or 13% giving a two-year consecutive increase of $55,023 or 87.6%.

- Expenses in all functions represent an increase of a 3% Cost of Living increase with steps/lanes funded ($428,810), a 4.8% decrease in health benefits ($120,587), and 3.7% increase in dental benefits of $6,966. Also included in the fringe benefit increases are retirement, social security, unemployment, and industrial insurance. General fund salaries totaled $9,154,403 with benefits at $4,378,539 (47.8% of salaries) for a sum of $13,532,942 which represents 87% of all general fund expenditures.

Debt Service Fund. The debt service fund has a total fund balance of $246,191, which is reserved for the payment of debt service on general obligation bonds. The fund balance increased $11,715 or 2.1% of revenues.

Capital Projects Fund. The capital projects fund has a total fund balance of $4,741,496, an increase of $960,466 from FY05, all of which is restricted for acquisition of capital assets and purchase of supplies, and related expenditures. $1,943,855 of the total fund balance is designated for the completion of a gymnasium for Green River High scheduled to begin in FY07. An additional $143,194 is designated for future use in the student-built housing program.

Other Governmental Funds. The other governmental funds consist of the Non K-12 fund and the School Lunch fund. The Non K-12 has a total fund balance of $409,415 with $83,661 being reserved for programs. The School Lunch has a total fund balance of $119,401 with $56,085 being reserved for inventories. The Non K-12 fund shows a positive increase of fund balance for $74,418. The School Lunch fund also had an increase in fund balance of $14,442 this year.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget for the general fund was $1,686,928 or 10.9% of total general fund expenditures and may be summarized as follows:

- $1,351,127 or 80% of the increase in instructional services
- $262,326 or 15.5% of the increase in operations and maintenance reflecting the utility increases.
- During the year, final actual revenues exceeded original budgetary estimates by $975,113 or 6.5%. The majority of this change is a result of programs that are added after the original budget is approved in June.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2006 and 2005 are outlined below:

Capital Assets
(Net of Depreciation)

	Governmental activities	
	2006	2005
Land	349,397	349,397
Water Stock	212,595	212,595
Buildings and improvements	14,232,273	14,943,195
Furniture and equipment	582,528	644,469
Vehicles	1,055,675	1,002,395
Total capital assets, net of depreciation	16,432,468	17,152,051

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

Debt administration. On June 25, 1996 by a 70% margin, the public voted to authorize the District to issue $15,000,000 general obligation bonds for construction of a new physical education/higher education facility, renovation of existing school facilities and related equipment and improvements. This debt authorization was sought to construct new, larger, more modern facilities, to better serve student and community needs, and to take advantage of modern technology.

On August 1,1996, the District issued $9,990,000 of general obligation bonds. Final payment on that debt was made in June 2002.

On April 1, 1998, the District issued $2,000,000 of general obligation bonds. That issue was retired in June of 2003.

On May 1, 2002, the District issued $1,500,000 of general obligation bonds. Although it is not unusual at the national level to have a 30-year bond payoff schedule, the District maintains an aggressive pay-off schedule and will retire the 2002 issue in June of 2007.

On June 11, 2004, the District issued $1,510,000 of general obligation bonds. With this issuance the $15,000,000 general obligation bonds authorized by voters in 1996 has been finalized, and $13,278,000 of the $15,000,000 has been retired. Total bonded indebtedness as of June 30, 2006 is $1,722,000.

Outstanding Debt

	Governmental activities	
	2006	2005
General Obligation Bonds	1,722,000	2,170,000

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Changing Enrollment within the District

The components of changing enrollment are migration and the kindergarten to grade 12 (K-12) differential. The K-12 differential is the size of grade 12 leaving, and the size of the kindergarten students entering the District in a given year. District births and number of students per grade are known data. Growth would occur if the number of kindergarten students entering the District would exceed the number of grade 12 students leaving the District. Declining enrollment would occur if the number of grade 12 students leaving the District were greater than the number of kindergarten students entering the District, provided all other factors remained constant.

The District has suffered declining enrollment since 1989 when enrollment peaked at 3,556. Enrollment was 2,442 on October 1 of 2002, a decrease of 1,114 students or 31.3% from the peak. Declines are due to a combination of out migration and lower county-wide births.

Migration of families out of the county is largely due to coal mine closures and the subsequent loss of related businesses. Employment in the coal industry declined from 2077 personnel in 1996 to 1492 in 2001, a loss of 585 jobs.* A number of those jobs lost were at the Cottonwood Mine located in Emery County and the Willow Creek Mine located in nearby Carbon County.

The District has dealt with declining enrollment and the corresponding funding losses by reducing staff, benefits paid to staff, and reducing and/or eliminating some non-essential programs. It is anticipated that enrollment will continue to decline for the next five years, with a leveling rate in the 2009-2010 school year.

(* Source: State of Utah Natural Resource, Office of Energy and Resource Planning.)

Enrollment Changes (2007-2011)

Birth Year of Kindergarten Students	2001	2002	2003	2004	2005
District Fiscal Year	2007	2008	2009	2010	2011
Kindergarten Students Entering	170	158	167	175	169
12th Grade Leaving	187	210	180	198	183
K-12 Differential	**-17**	**-52**	**-13**	**-23**	**-14**

Projected Enrollment (2007-2011)

2007	2008	2009	2010	2011
2,320	2,268	2,255	2,232	2,218

Requests for Information

This financial report is designed to provide a general overview of the Emery School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Emery School District, PO Box 120, Huntington, UT 84528.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities 2006
Assets:	
Current Assets:	
Cash and investments	$ 9,280,030
Receivables:	
Property taxes	8,624,129
Other governments	895,071
Other	21,200
Inventories	73,829
Capital Assets:	
Land, construction in progress, and water stock	561,992
Other capital assets, net of depreciation	15,870,476
Total assets	35,326,727
Liabilities:	
Current Liabilities:	
Accounts payable	623,746
Accrued interest	2,464
Accrued wages	862,484
Accrued payroll liabilities	451,787
Deferred revenue:	
Property taxes	8,579,664
Bond liability due within one year	465,000
Leave and retirement liability due within one year	416,284
Noncurrent Liabilities:	
Bonds liability due in more than one year	1,257,000
Leave and retirement liability due in more than one year	729,308
Total liabilities	13,387,737
Net Assets:	
Invested in capital assets, net of related debt	14,710,468
Restricted for:	
General fund programs	1,549,785
School lunch inventory	56,085
Non K-12 programs	83,661
Debt service	243,727
Capital projects committed	213,555
Unrestricted	5,081,709
Total net assets	$ 21,938,990
Total Liabilities and Net Assets	35,326,727

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

EMERY 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	12,153,189	$ 33,112	$ 2,941,698	$ -	$ (9,178,379)
Supporting services:					
Students	392,265	-	148,622	-	(243,643)
Instructional staff	318,722	-	17,857	-	(300,865)
District administration	364,266	-	-	-	(364,266)
School administration	1,371,892	-	-	-	(1,371,892)
Business	248,223	-	-	-	(248,223)
Operation and maintenance of facilities	2,218,868	-	1,617	-	(2,217,251)
Transportation	951,160	4,379	-	-	(946,781)
School lunch services	870,734	271,632	570,517	-	(28,585)
Interest on long-term liabilities	76,470	-	-	-	(76,470)
Total school district	18,965,789	$ 309,123	$ 3,680,311	$ -	(14,976,355)

General revenues:	
Property taxes levied for:	
General purposes	5,271,630
Transportation	432,337
Recreation	639,859
Debt service	541,863
Capital outlay	1,778,347
Federal and state aid not restricted to specific purposes	7,648,163
Earnings on investments	411,367
Miscellaneous	219,667
Total general revenues	16,943,233
Change in net assets	1,966,878
Net assets - beginning	19,972,112
Net assets - ending	$ 21,938,990

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

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

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	$ 3,682,843	$ 243,611	$ 4,872,204	$ 481,372	$ 9,280,030
Receivables:					
Property taxes	5,471,709	530,880	1,961,848	659,692	8,624,129
Other governments	827,945			67,126	895,071
Other receivables	21,200				21,200
Inventories			17,744	56,085	73,829
Total assets	$ 10,003,697	$ 774,491	$ 6,851,796	$ 1,264,275	$ 18,894,259
Liabilities and fund balances:					
Liabilities:					
Accounts payable	$ 462,147	$ -	$ 161,258	$ 341	$ 623,746
Accrued Wages	784,011			78,473	862,484
Accrued payroll liabilities	451,787				451,787
Deferred revenue:					
Property taxes	5,445,677	528,300	1,949,042	656,645	8,579,664
Total liabilities	7,143,622	528,300	2,110,300	735,459	10,517,681
Fund Balances:					
Reserved for:					
Inventories				56,085	56,085
Programs	1,549,785			83,661	1,633,446
Debt service		246,191			246,191
Construction commitments			2,087,049		2,087,049
Unreserved:					
General fund	1,310,290				1,310,290
Capital projects fund			2,654,447		2,654,447
Special revenue funds				389,070	389,070
Total fund balances	2,860,075	246,191	4,741,496	528,816	8,376,578
Total liabilities and fund balances	$ 10,003,697	$ 774,491	$ 6,851,796	$ 1,264,275	$ 18,894,259

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

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

Total fund balances for governmental funds		$ 8,376,578
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 349,397	
Water stock	212,595	
Buildings and improvements, net	14,232,273	
Furniture and equipment, net	582,528	
Vehicles, net	1,055,675	16,432,468
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is $2,464.		(2,464)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Bonds payable	(1,722,000)	
Unamortized premiums	0	
Arbitrage rebate payable	0	
Accrued vacation	(360,433)	
Early retirement payable	(785,159)	(2,867,592)
Total net assets of governmental activities		$ 21,938,990

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

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

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	$ 4,815,940	$ 537,658	$ 2,674,804	$ 635,634	$ 8,664,036
Earnings on investments	411,367				411,367
School lunch sales				271,632	271,632
Other local sources	193,887		54,205	9,066	257,158
State aid	9,337,471			372,108	9,709,579
Federal aid	1,119,098			499,797	1,618,895
Total revenues	15,877,763	537,658	2,729,009	1,788,237	20,932,667
Expenditures:					
Current:					
Instructional services	10,022,430			870,025	10,892,455
Supporting services:					
Students	392,265				392,265
Instructional staff	318,722				318,722
District administration	299,726				299,726
School administration	1,445,499				1,445,499
Business	237,466				237,466
Operation and maintenance of facilities	1,959,063			1,645	1,960,708
Transportation	897,377				897,377
School lunch services				827,707	827,707
Capital outlay			1,777,996		1,777,996
Debt service:					
Principal retirement		448,000			448,000
Interest and fiscal charges		77,943			77,943
Total expenditures	15,572,548	525,943	1,777,996	1,699,377	19,575,864
Excess (deficiency) of revenues over (under) expenditures	305,215	11,715	951,013	88,860	1,356,803
Other financing sources (uses):					
Sale of capital assets			9,453		9,453
Total other financing sources (uses)	-	-	9,453	-	9,453
Net change in fund balances	305,215	11,715	960,466	88,860	1,366,256
Fund balances - beginning	2,554,860	234,476	3,781,030	439,956	7,010,322
Fund balances - ending	$ 2,860,075	$ 246,191	$ 4,741,496	$ 528,816	$ 8,376,578

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

EMERY 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

Net change in fund balances-total governmental funds		$ 1,366,256

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 for furniture and equipment and $100,000 for buildings and improvements 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	$ 360,241	
Loss on disposal of capital assets	5,297	
Proceeds from sales of capital assets	(9,453)	
Depreciation expense	(1,075,668)	(719,583)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. 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, however, 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:

Repayment of bond principal	448,000	
		449,473

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - 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, accrued vacation increased by $31,553, early retirement payable decreased by $902,285. 870,732

Change in net assets of governmental activities	$ 1,966,878

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

EMERY 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	$ 4,712,254	$ 4,712,254	$ 4,815,940	$ 103,686
Earnings on investments	200,000	200,000	411,367	211,367
Other local sources	91,546	178,507	193,887	15,380
State aid	8,866,325	9,322,839	9,337,471	14,632
Federal aid	1,032,525	1,124,933	1,119,098	(5,835)
Uses of Fund Balance	554,859	1,605,904		(1,605,904)
Total revenues	15,457,509	17,144,437	15,877,763	(1,266,674)
Expenditures:				
Current:				
Instructional services	10,075,644	11,426,771	10,022,430	1,404,341
Supporting services:				
Students	400,934	470,369	392,265	78,104
Instructional staff	315,446	322,266	318,722	3,544
District administration	301,736	303,379	299,726	3,653
School administration	1,436,509	1,454,831	1,445,499	9,332
Business	234,168	237,377	237,466	(89)
Operation and maintenance of facilities	1,743,532	2,005,858	1,959,063	46,795
Transportation	949,540	923,586	897,377	26,209
Total expenditures	15,457,509	17,144,437	15,572,548	1,571,889
Excess of revenues over expenditures	-	-	305,215	305,215
Fund balances - beginning	2,554,860	2,554,860	2,554,860	-
Fund balances - ending	$ 2,554,860	$ 2,554,860	$ 2,860,075	$ 305,215

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

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

	Student Activities Fund
Assets:	
Cash and investments	293,726
Liabilities	
Due to student groups	293,726
Total liabilities	293,726

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Emery County School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- Beginning with FY03, the financial statements include:

  A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

  Financial statements prepared using full-accrual accounting for all of the District's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District implemented the changes as stated in Statement No. 34 for FY 2003.

Reporting Entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements represent the District. For financial reporting purposes, the Board of Education is the lowest level of government exercising oversight responsibility for all activities related to public school education in Emery County, Utah.

Government-wide and fund financial statements – The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or

privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted in another fund.
- The *capital outlay fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of

facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

- The *debt service fund* is used to account for the accumulation of resources and the payment of general long-term debt principal, interest and related costs.

Additionally, the District reports the following fund types:

- The *special revenue funds* are used for sources that are set aside for a specific purpose. Emery School District accounts for the Non K-12 programs and the Child Nutrition Program in this fund type.
- The *agency fund* is used to account for assets held by the District as an agency for individuals. The District has an agency fund for individual schools. This is an expendable agency fund used to account for monies invested with the District and in checking accounts of individual schools.

Amounts reported as *program revenues* include 1) charges to students for tuition, fees, rental, material, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a District level for the student activities agency fund. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.

- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.

- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

- Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2006, have been included in the final budget approved by the Board, as presented in the financial statements.

- Expenditures may not legally exceed budgeted appropriations at the fund level.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasures' Investment Fund (PTIF).

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

Inventories – Inventories are valued at cost, using the moving average method with the exception of the treatment of donated inventories described below. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value on the date of receipt and as an expense when used.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets with an initial, individual cost of more than $5,000 for equipment and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or

constructed. Donated capital assets are recorded as estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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

Assets	Years
Buildings	50
Building improvements and portable classrooms	20
Computer Equipment	5
Furniture and Equipment	10
Vehicles and Buses	10

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. The unused sick leave is reimbursed in the event of a retirement with a maximum of 180 days at $27.50 per day if the employee has worked for a minimum 15 years for the District.

All sick leave pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only if they have matured, for example, only employees that have reached their 15th year of service.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use of a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2006, as shown on the financial statements is as follows:

Demand deposits	$ 690,509
Investments	8,883,248
Total cash and investments	$ 9,573,757
Governmental funds	$ 9,280,031
Fiduciary funds	293,726
Total cash and investments	$ 9,573,757

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act.

Custodial Credit Risk
Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of June 30, 2006, $9,438,556 of the District's bank balances of $9,573,757 was uninsured and uncollateralized.

Credit Risk
Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF, an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the District had investments of $8,754,425 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Emery County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a $10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to

an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from $10 to $150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2006, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2006 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion. The property taxes receivable and property taxes deferred revenue accounts at June 30, 2006 are summarized as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Property taxes - receivable:					
Levied for current and prior years	$ 26,032	$ 2,580	$ 12,806	$ 3,047	$ 44,465
Levied for future year	$ 5,445,677	$ 528,300	$ 1,949,042	$ 656,645	$8,579,664
	$ 5,471,709	$ 530,880	$ 1,961,848	$ 659,692	$8,624,129
Property taxes - deferred revenue:					
Levied for future year and uncollected	$ 5,445,677	$ 528,300	$ 1,949,042	$ 656,645	$8,579,664
	$ 5,445,677	$ 528,300	$ 1,949,042	$ 656,645	$8,579,664

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	349,397	$ -	$ -	$ 349,397
Water stock	212,595	-	-	212,595
Total capital assets, not being depreciated	561,992	-	-	561,992
Capital assets, being depreciated:				
Buildings and improvements	43,485,465	62,800	-	43,548,265
Furniture and equipment	1,834,369	37,399	(5,467)	1,866,301
Vehicles	2,382,665	260,042	(155,391)	2,487,316
Total capital assets, being depreciated	47,702,499	360,241	(160,858)	47,901,882
Accumulated depreciation for:				
Buildings and improvements	(28,542,270)	(773,722)	-	(29,315,992)
Furniture and equipment	(1,189,900)	(99,340)	5,467	(1,283,773)
Vehicles	(1,380,270)	(202,606)	151,235	(1,431,641)
Total accumulated depreciation	(31,112,440)	(1,075,668)	156,702	(32,031,406)
Total capital assets, being depreciated, net	16,590,059	(715,427)	(4,156)	15,870,476
Governmental activities capital assets, net	17,152,051	$ (715,427)	$ (4,156)	$ 16,432,468

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	$ 570,104
Supporting services:	
District administration	64,540
School administration	75,297
Business	10,757
Operation and maintenance of facilities	258,160
Transportation	53,783
Central	
School lunch services	43,027
Total depreciation expense, governmental activities	$ 1,075,668

The District is obligated at June 30, 2006, under construction commitments as follows:

Project	Authorized Amount	Costs to Date	Costs to Complete
Asbestos Abatement at San Rafael and Cottonwood Schools	$ 28,968		$ 28,968
Flooring at San Rafael and Cottonwood Schools	$ 34,133	$ 5,975	$ 28,158
Heating Upgrades:			
Castle Dale Elementary	$ 45,500	$ 4,500	$ 40,950
San Rafael Jr High School	$ 56,080	$ 5,608	$ 50,472
Cleveland Elementary	$ 11,786	$ 1,179	$ 10,607
Parking Lot Resurfacing			
San Rafael Jr High School	$ 16,000		$ 16,000
Emery High School	$ 38,400		$ 38,400
TOTAL	$ 230,867	$ 17,262	$ 213,555

5. RETIREMENT PLANS

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

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

Plan members in the State and School Contributory Retirement System are required to contribute 1.00% of annual covered salary, and the District contributes 13.89% of annual covered salary. For employees participating in the State and School Noncontributory System, the District contributes 13.38% of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2006, 2005, and 2004 are $18,362, $19,849, and $17,479, respectively, and the employee contributions were $1,322, $ 1,429, and $1,432, respectively. The District's contributions to the State and School Noncontributory Retirement System for the years ended June 30, 2006, 2005, and 2004 are $1,116,715, $1,136,321, and $1,019,149, respectively. The contributions were equal to the required contributions for each year.

Defined contribution Plans – The District also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2006, 2005 and 2004 are $150,210, $155,720, and $135,694, respectively; the employee contributions for the years ending June 30, 2006, 2005, and 2004 are $220,837, $226,212, and $211,493, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

The District also offers its employees a deferred compensation plan created in accordance with IRS Code Section 457. The plan, available to all qualified employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan for the years ended June 30, 2006, 2005 and 2004 are $17,507, $11,648 and $5,004, respectively. The assets of the plan are administered and held by URS and a third-party administrator.

Early Retirement Incentive – The District provides two early retirement incentive programs adopted in March, 2003. Under policy GCPCAA, eligibility is restricted to those employees under age 65 with a minimum of 15 years of service in the District who have accumulated 75 points through a combination of age and years of service with the District. Those qualifying under this program, may receive a salary benefit for a maximum 4 years or until the retiree reaches age sixty-five (65), whichever occurs first. During the first year of retirement the District will pay 22%, the second year 18%, the third year 16%, and the fourth year 14% of employee's professional contract minus leeway.

Under policy GDPCA, an employee may retire at age 62 and be paid 35% of the difference between the salary on step one, lane one, of the current salary schedule and their current step and lane.

The District will provide single or double coverage health insurance and life insurance for the retiree on both plans for the maximum 4 years or until the retiree becomes eligible for Medicare, provided the employee has participated in the health insurance program for a minimum of 3 previous consecutive years.

In addition, qualifying employees will receive reimbursement of unused sick leave according to the formula of 50% of the daily rate for certified substitutes up to a maximum of 180 days. In the event of a death of the retiree, stipends will continue for the surviving spouse at the rate of 50%. Single coverage health insurance shall also be provided the surviving spouse. Both stipend and health insurance coverage shall continue until the end of the retiree's contract at which time all benefits shall terminate.

The benefits for 9 employees were terminated during the 2006 fiscal year. The number of participants at year end was 35. The District's direct payments to retirees and health benefits in the years ended June 30, 2006 and 2005 are $573,796 and $640,113, respectively. Future retirement payments are recognized on an accrual basis as an expense in the government-wide statements in the year of retirement and are funded with current funds. This liability is paid from the fund from which the employee retires. The District has a liability of $785,159 as of June 30, 2006, to provide benefits to these retirees in future years.

The District realizes the financial responsibility of the GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* that will be implemented for the District's financial statements for periods beginning after December 15, 2007 or FY08. The Board will make any changes necessary to the Early Retirement plans to comply with laws and financial resources.

Compensated absences of the District in the general long-term debt account group represent accrued sick leave for employees over 15 years of service at June 30, 2006, in the amount of $360,433.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries and disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsured through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has joined the Utah School Board Risk Management Mutual Insurance Association which is a risk pool for Workers' Compensation. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	2,170,000	$ -	$ (448,000)	$ 1,722,000	$ 465,000
Total bonds payable, net	2,170,000	-	(448,000)	1,722,000	465,000
Accrued sick leave	328,880	31,553	-	360,433	36,043
Early retirement payable	1,687,444		(902,285)	785,159	380,241
Total governmental activity long-term liabilities	4,186,324	$ 31,553	$ (1,350,285)	$ 2,867,592	$ 881,284

Payments on the general obligation bonds are made by the debt service fund from property taxes. On May 5, 2004, the Board of Education of Emery County approved the issuance of $1,510,000 in general obligation bonds which completes the resolution passed in June 1996 wherein the voters authorized the sale of $15,000,000 of general obligation bonds.

Early retirement benefits are paid by the fund in which the employee worked. Accrued sick leave payable represents a potential liability and will be paid in a lump sum out of current revenues from the fund in which the employee worked when the employee retires and the liability becomes due.

General obligation bonds – series 2002 required payments beginning June 15, 2004 and carry an interest rate of 3.7% and 4%. The series of 2004 bond payments began June 15, 2005. The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006-2007	465,000	59,147	524,147
2007-2008	481,000	43,250	524,250
2008-2009	497,000	27,857	524,857
2009-2010	279,000	10,463	289,463
Total	$ 1,722,000	$140,717	$1,862,717

8. RESTRICTED NET ASSETS

The government-wide statement of net assets reports $2,146,813 of restricted net assets, of which $1,933,258 is restricted by enabling legislation and $213,555 by issued construction contracts.

EMERY COUNTY SCHOOL DISTRICT

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

Major Debt Service Fund

Year Ended June 30, 2006

	2006		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Property tax	$ 527,667	$ 537,658	$ 9,991
Total revenues	527,667	537,658	9,991
Expenditures:			
Debt service:			
Bond principal	448,000	448,000	-
Bond interest	76,943	77,443	(500)
Bond issuance costs			-
Miscellaneous Expenditures	2,724	500	2,224
Total expenditures	527,667	525,943	1,724
Excess (deficiency) of revenues over (under) expenditures	-	11,715	11,715
Net change in fund balances	-	11,715	11,715
Fund balance - beginning	234,476	234,476	-
Fund balance - ending	$ 234,476	$ 246,191	$ 11,715

EMERY COUNTY SCHOOL DISTRICT

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

Major Capital Outlay Fund

Year Ended June 30, 2006

	2006		
	Final Budgeted Amounts	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
Revenues:			
Local sources:			
Property taxes	$ 2,630,262	$ 2,674,804	$ 44,542
Other	10,000	54,205	44,205
Total local sources	2,640,262	2,729,009	88,747
Total revenues	2,640,262	2,729,009	88,747
Expenditures:			
Instruction	740,950	723,845	17,105.00
Support Services			
Students	3,350	1,267	2,083.00
Instructional Staff	29,872	26,105	3,767
Business	35,000	35,454	(454)
Operation and Maintenance of Plant	2,276,862	991,325	1,285,537
Non-Instructional Services:			
Food Services	10,000		10,000
Total facilty expenses	3,096,034	1,777,996	1,318,038
Bond selling expense			-
Total expenditures	3,096,034	1,777,996	1,318,038
Excess (deficiency) of revenues over (under) expenditures	(455,772)	951,013	1,406,785
Other Financing Sources (Uses):			
General obligation bond proceeds	306,609		(306,609.00)
Decrease in Unreserved Fund Balance			
Use of Designated Fund Balance	146,163		(146,163.00)
Sale of capital assets	3,000	9,453	6,453
Total other financing sources (uses)	455,772	9,453	(446,319)
Net change in fund balances	-	960,466	960,466
Fund balance - beginning	3,781,030	3,781,030	-
Fund balance - ending	$ 3,781,030	$ 4,741,496	$ 960,466

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

	Special Revenue		
	School Lunch	Non K-12 Programs	Total Nonmajor Governmental Funds
Assets:			
Cash and investments	$ 58,903	$ 422,469	$ 481,372
Receivables:			
Property Taxes	-	659,692	659,692
Other			-
Other governments	36,904	30,222	67,126
Inventories	56,085	-	56,085
Total assets	$ 151,892	$ 1,112,383	$ 1,264,275
Liabilities:			
Accounts payable	$ 61	$ 280	$ 341
Accrued Wages	$ 32,430	$ 46,043	$ 78,473
Deferred revenue:			-
Property taxes	-	656,645	656,645
Total liabilities	32,491	702,968	735,459
Fund balances:			
Unreserved:			
Reserved for inventories	56,085	-	56,085
Reserved for Programs	-	83,661	83,661
Undesignated	63,316	325,754	389,070
Total fund balances	119,401	409,415	528,816
Total liabilities and fund balances	$ 151,892	$ 1,112,383	$ 1,264,275

EMERY 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	Total Nonmajor Governmental Funds
Revenues:			
Property tax	$ -	$ 635,634	$ 635,634
Student fees	-	9,066	9,066
Lunch sales	271,632	-	271,632
Earnings on investments	-	-	-
State aid	100,942	271,166	372,108
Federal aid	469,575	30,222	499,797
Total revenues	842,149	946,088	1,788,237
Expenditures:			
Current:			
Instructional services	-	870,025	870,025
Supporting services:			
Operation and maintenance of facilities	-	1,645	1,645
School lunch services	827,707	-	827,707
Total expenditures	827,707	871,670	1,699,377
Excess of revenues over expenditures	14,442	74,418	88,860
Net change in fund balances	14,442	74,418	88,860
Fund balances - beginning	104,959	334,997	439,956
Fund balances - ending	$ 119,401	$ 409,415	$ 528,816

EMERY COUNTY SCHOOL DISTRICT

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

Non K-12 Programs

Nonmajor Special Revenue Fund

Year Ended June 30, 2006

	2006		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Local sources:			
Property taxes	$ 622,773	$ 635,634	$ 12,861
Community school fees			-
Summer school fees			-
Fees	6,100	9,066	2,966
Total local sources	628,873	644,700	15,827
State sources:			
Adult high school completion	25,072	25,322	250
Preschool	210,987	210,987	-
Retirement and social security	34,857	34,857	-
Total state sources	270,916	271,166	250
Federal sources:			
Special education preschool grant	29,467	30,222	755
Total federal sources	29,467	30,222	755
Other Financing Sources:			
Use of Fund Balance	43,054	-	(43,054)
Total Other Sources	43,054	-	(43,054)
Total revenues	972,310	946,088	(26,222)
Expenditures:			
Current:			
Salaries	560,415	583,058	(22,643)
Employee benefits	277,138	264,757	12,381
Purchased services	4,974	3,318	1,656
Utilities	1,489	1,645	(156.00)
Supplies	93,002	16,003	76,999
Equipment	2,845	2,434	
Other	426	455	(29)
Total expenditures	940,289	871,670	68,208
Excess (deficiency) of revenues over (under) expenditures	32,021	74,418	41,986
Fund balances - beginning	334,997	334,997	-
Fund balances - ending	$ 367,018	$ 409,415	$ 41,986

EMERY COUNTY SCHOOL DISTRICT

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

School Lunch

Nonmajor Special Revenue Fund

Year Ended June 30, 2006

	2006		
	Final Budgeted Amounts	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
Revenues:			
Local sources:			
Lunch sales - children	$ 241,800	$ 255,010	$ 13,210
Lunch Sales - adult	13,000	16,622	3,622
Total local sources	254,800	271,632	16,832
State sources:			
State lunch program	80,000	100,942	20,942
Total state sources	80,000	100,942	20,942
Federal sources:			
Federal lunch program	52,000	58,525	6,525
Free and reduced assistance	260,000	268,189	8,189
Breakfast program	87,335	97,900	10,565
Donated Commodities	70,000	44,961	(25,039)
Total federal sources	469,335	469,575	240
Other Financing Sources:			
Use of Fund Balance		-	-
Total Other Sources	-	-	-
Total revenues	804,135	842,149	38,014
Expenditures:			
Current:			
Salaries	277,613	287,137	(9,524)
Employee benefits	166,919	171,154	(4,235)
Purchased services	2,500	2,004	496
Supplies	32,800	31,858	942
Food	321,819	333,217	(11,398)
Uniform allowance	2,484	2,337	147
Total expenditures	804,135	827,707	(23,572)
Net change in fund balances	-	14,442	14,442
Fund balances - beginning	104,959	104,959	-
Fund balances - ending	$ 104,959	$ 119,401	$ 14,442

EMERY 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	$ 298,315	$ 909,375	$ 913,964	$ 293,726
Liabilities:				
Due to student organizations:				
Elementary Schools:				
Bookcliff Elementary	$ 22,820	$ 25,503	$ 25,426	$ 22,897
Castle Dale Elementary	6,874	54,420	51,255	10,039
Cleveland Elementary	16,019	39,589	46,939	8,669
Cottonwood Elementary	37,238	48,994	47,601	38,631
Ferron Elementary	34,579	51,369	52,497	33,451
Huntington Elementary	9,819	52,054	49,268	12,605
Total elementary schools	127,349	271,929	272,986	126,292
Junior High Schools:				
Canyon View	$ 24,346	$ 101,595	$ 107,310	$ 18,631
San Rafael	42,786	136,752	131,544	47,994
Total junior high schools	67,132	238,347	238,854	66,625
High Schools and Special Purpose Programs:				
Emery High	83,967	325,020	337,141	71,846
Green River High	19,867	74,079	64,983	28,963
Total high schools and special purpose programs	103,834	399,099	402,124	100,809
Total due to student organizations	298,315	909,375	913,964	293,726
Total liabilities	$ 298,315	$ 909,375	$ 913,964	$ 293,726

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Emery County School Board
Emery County School District
Huntington, Utah 84528

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Emery County School District as and for the year ended June 30, 2006, which collectively comprise Emery County School District's basic financial statements and have issued our report thereon dated September 18, 2006. 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 Emery County 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud 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.

Compliance and Other Matters

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

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

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 18, 2006
Richfield, Utah

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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

Emery County School Board
Emery County School District
Huntington, Utah 84528

Compliance

We have audited the compliance of Emery County School District with the types of compliance requirements described in the *U. S. Office of Management of 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. Emery County 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 Emery County School District's management. Our responsibility is to express an opinion on Emery County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government *Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Emery County 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 Emery County School District's compliance with those requirements.

In our opinion, Emery 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 Emery County School District 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 Emery County 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 requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major 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.

This report is intended solely for the information and use of the audit committee, management, school board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other then these specified parties.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 18, 2006
Richfield, Utah

EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Emery County School District.

2. No reportable conditions relating to the audit of the financial statements are reported in the auditor's report on Internal Control and Compliance With Laws and Regulations.

3. No instances of noncompliance material to the financial statements of Emery County School District were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for Emery County School District expresses an unqualified opinion.

6. There were no findings relative to the major federal award programs for Emery County School District.

7. The programs tested as major programs include: U. S. Department of Agriculture, Child Nutrition Cluster, CFDA 10.553 and 10.555 and U. S. Department of Education, Title II Part A Class Size Reduction, CFDA 84.340.

8. The threshold for distinguishing Type A and B programs is $300,000 of federal awards expended.

9. Emery County School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDED

For The Fiscal Year Ended June 30, 2006

Federal Grantor/Pass Through Grantor	Federal CFDA Number	Pass-Thru Grantor's Number	Disbursement/ Expenditures
Indirect Assistance:			
Department of Agriculture:			
Pass Through State Department of Education:			
Food Distribution - Commodities	10.550	N/A	44,961
Federal School Lunch - Lunch Reimbursement Section 4	10.555	06-42	56,310
Federal School Lunch - Free & Reduced Price Section 11	10.555	06-43	268,189
Federal School Lunch - Breakfast Program	10.553	06-44	97,900
Federal School Lunch - Fruits & Vegetables	10.582	06-51	2,215
Pass Through Emery County:			
Forest Reserve	10.665	N/A	13,546
Total Department of Agriculture			483,121
Department of Education:			
Pass Thru State Department of Education:			
Title I - ESEA Flow Through	84.010	06-08	268,963
IDEA Preschool Flow Through	84.173	06-52	31,433
Drug Free Schools	84.186	06-09	9,550
Class Size Reduction	84.340	06-05	123,306
IDEA Part B Flow Through	84.027	06-19	524,992
Fed VoEd Carl Perkins	84.048	06-21	34,849
Fed VoEd Tech Prep	84.243	06-26	2,310
Educational Technology	84.318	06-07	10,471
Innovative Programs	84.298	06-80	9,409
FIE Earmark Grant	84.215	06-14	17,300
Total Department of Education			1,032,583
Total Indirect Assistance			1,515,704
Total Assistance			1,515,704

EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDED

For The Fiscal Year Ended June 30, 2006

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Federal Awards Expended presents the activity of all federal financial assistance programs of Emery County School District. The reporting entity, Emery County School District, is defined in Note 1 to Emery County School District's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the Schedule of Federal Awards Expended. Most of the awards are reimbursement based, therefore, as expenditures of federal funds are made revenue is recognized.

Basis of Accounting:

The accompanying Schedule of Federal Awards Expended is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to Emery County School District's basic financial statements.

NOTE B - NONCASH FEDERAL FINANCIAL ASSISTANCE

Noncash federal awards are received from commodities consumed during the year, expressed at market value. School districts participating in the USDA Food Distribution Program during the 2005 - 2006 year were sent a monthly report by the state detailing market value of USDA goods received for the month. Noncash federal awards are based on these reports and estimates.

NOTE C - ACCOUNTS RECEIVABLE

The basic financial statements include accounts receivable from federal programs. These receivables are accrued according to the same basis of accounting as the basic financial statements. The receivables reflect federal awards that have been expended by year end and not yet reimbursed.

EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS

For The Fiscal Year Ended June 30, 2006

There were no prior audit findings.

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AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Emery County School Board
Emery County School District
Huntington, Utah 84528

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Emery County School District, for the year ended June 30, 2006, and have issued our report thereon dated September 18, 2006. As part of our audit, we have audited Emery County School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; 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 District received the following major State assistance programs from the State of Utah:

Minimum School Programs (State Office of Education)
State Liquor Control Tax - Child Nutrition (State Office of Education)

The 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 Emery County School District's financial statements):

Drivers Education (State Office of Education)
Professional Development (State Office of Education)
UPASS (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Compliance Manual for audits of Local Governments in Utah including:

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

The management of Emery County School District is responsible for the 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 auditing standards generally accepted in the United States of America 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, Emery County School District, complied, in all material respects, with the general compliance requirement identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the fiscal year ended June 30, 2006.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 18, 2006
Richfield, Utah