South Summit School District
Kamas, Utah

Financial Statements

For the Year Ended June 30, 2006

Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah

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South Summit School District
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Ulrich & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Education
South Summit School District
Kamas, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of South Summit 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 South Summit School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of South Summit School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and special revenue funds 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 December 8, 2006 on our consideration of South Summit School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 report of the basic financial statements of South Summit School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ulrich & Associates, P.C.

December 8, 2006

This section of South Summit School District's General Purpose Financial Report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2006. Please read it in conjunction wit the District's financial statements, which follow this section.

Financial Highlights

- Under the GASB 34 reporting model, at the close of fiscal year ended June 30, 2006, the District's net assets were $34,455,946.

- Under the fund reporting model, the combined fund balance at the close of fiscal year ended June 30, 2006 was $7,377,179.

- District enrollment for October 1, 2005, (1,344 students) reflects in increase of 22 students as compared with district enrollment as of October 1, 2004, which was 1,322 students. This increase in enrollment is consistent with the slow but steady pattern of growth taking place in the district. It is interesting to note that five years ago Hispanic student enrollment has accounted for 2.9% of total enrollment (37 of 1278); this has increased to 5.8% of total enrollment (78 of 1344) for the current year. In order to meet the education needs of the less English fluent population of the district, increased resources are being allocated to training staff and providing paraprofessional assistance. As an example, this past year the district funded inservice to license 18 teachers with ESL endorsements.

- The financial statements for fiscal year ended June 30, 2006 reflect an increase in utilities expense of $125,280 (up 27%) due primarily to increased utility rates. Natural gas expenditures account for $95,470 of the increase.

- The District was required to pay a property tax refund to Merit Oil in the amount of $430,674. This refund was accounted for in the M&O (general) fund.

- Certain GASB requirements mandate the school district account for benefits paid to retirees beginning fiscal 2008. In anticipation of these requirements, the district has accrued a long term liability in the amount of $500,644, based on an actuary study, which reflects a portion of the district's future obligation for these benefits based on current policy. This year the district designated $536,480 in M & O fund balance to cover employee benefit obligations to current retirees and unused sick leave payable to current employees. District administration is currently working with employee representatives to review these benefits and make recommendations for policy changes in this regard for the boards consideration.

Overview of Financial Statements

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

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

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

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this 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.)

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 three categories: governmental funds, proprietary funds and agency 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 resources available at the end of the fiscal year. Such information may be useful in evaluating the government's 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 seven 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 maintenance and operation fund and the capital projects fund, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

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 $34,455,946 at the close of the most recent fiscal year.

SOUTH SUMMIT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities	
	FY 2006	FY 2005
Current and other assets	15,993,927	14,266,389
Capital assets	26,629,845	27,343,646
Total assets	42,623,772	41,610,035
Current and other liabilities	1,280,963	1,609,559
Long-term liabilities outstanding	6,886,863	7,455,675
Total liabilities	8,167,826	9,065,234
Net Assets:		
Invested in capital assets, net of related debt	18,800,669	19,797,071
Restricted	5,310,197	5,186,741
Unrestricted	10,345,080	7,560,989
Total net assets	34,455,946	32,544,801

The district has 55% of its net assets invested in capital assets (e.g., land, buildings and improvements, and furniture and equipment net of accumulated depreciation), less any related debt (general obligation bonds payable) used to acquire those assets that is 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 they themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (15%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.

The remaining balance of unrestricted net assets (30%) may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Financial Analysis of the District's Funds

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. As the District completed the year, its governmental funds reported a combined fund balance of $7,377,179 million, $876,066 higher than the previous year. The undesignated component of fund balance increased by $772,517.

Government funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in 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 debt service, 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.

	Government Funds	
	FY 2006	FY 2005
Revenues:		
Property taxes	$ 7,234,510	7,559,407
Earnings on investments	335,082	180,836
School lunch sales	137,079	122,471
Other local sources	515,723	454,799
State aid	4,552,862	3,857,429
Federal aid	620,050	601,337
Total revenues	13,395,306	12,776,279
Expenses:		
Instructional services	6,843,004	6,543,691
Supporting services		
Students	336,595	360,570
Instructional staff	303,456	207,777
District administration	263,583	266,822
School administration	498,621	463,053
Business	310,172	291,273
Operation/maintenance of facilities	444,451	439,494
Transportation	573,431	507,915
Central/Community Service/Other	37,300	32,918
School lunch services	297,890	276,974
Capital outlay	1,324,215	1,388,748
Debt service	1,297,448	1,231,992
Total expenses	12,530,166	12,011,227
Total revenues over expenditures	865,140	765,052
Net other sources (uses)	10,926	807
Net change in Fund Balance	876,066	765,859
Fund Balances- Beginning	6,501,113	5,735,254
Fund Balances- Ending	$ 7,377,179	6,501,113

General Fund Budgetary Highlights

The Board of Education adopts a budget for an upcoming year prior to the beginning of that fiscal year. Adjustments are accepted and incorporated into the budget throughout the year to reflect the changing nature of revenue streams and identified needs. Such budget adjustments, reflecting the dynamic nature of the budgeting process, are reflected in the final legal budget approved by the Board of Education.

Differences between the original budget and the final budget were typical ($312,251 increase). This 3% increase in the budget was a result of additions and/or increases of state and federal funding sources over original projections. Actual total expenditures were below final budgeted amounts. Revenues were slightly below budgetary estimates primarily as a result of tax refund accrued and expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted. In summary, actual revenues exceeded actual expenditures.

State and federal funding is highly dependent on student numbers and composition. Since state and federal dollars comprise the bulk of total revenue, projecting enrollment growth and trends is a critical part of the budget process. District enrollment has been relatively steady.

South Summit School District Enrollment History
(October 1 Enrollment)

	2001-02	2002-03	2003-04	2004-05
Elementary	564	582	593	604
Middle School	302	327	317	307
High School	401	401	392	402
Special Schools	11	10	10	9
Total Enrollment	1278	1320	1312	1322

Capital Assets 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.

Debt Administration. The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District The legal debt limit at June 30, 2006 is approximately $157.2 million. General obligation debt at June 30, 2005 is $2.0 million, resulting in a legal debt margin of approximately $155.6 million.

More detailed information relating to capital assets and debt administration can be found in the notes to the financial statements.

Requests for Information

The financial report is designed to provide a general overview of South Summit 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, South Summit School District, 375 South 300 East, Kamas, UT 84036.

BASIC FINANCIAL STATEMENTS

South Summit School District

Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 7,620,711
Receivables:	
Property taxes	7,558,525
Other receivables	733,891
Bond discount, net	80,800
Capital assets (net of accumulated depreciation):	
Land	2,823,738
Buildings	22,653,860
Machinery and equipment	1,152,247
Total assets	42,623,772
LIABILITIES	
Accounts payable and accrued liabilities	363,413
Accrued interest	52,600
Accrued salaries	754,263
Deferred revenue	110,687
Noncurrent liabilities:	
Due within one year	1,101,360
Due in more than one year	5,785,503
Total liabilities	8,167,826
NET ASSETS	
Invested in capital assets, net of related debt	18,800,669
Restricted for:	
Non K-12 programs	558,843
Food service	43,410
Debt service	72,525
Capital projects	4,635,419
Unrestricted	10,345,080
Total net assets	$ 34,455,946

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

South Summit School District

Statement of Activities
For the Year Ended June 30, 2006

Function/Programs	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	$ 8,160,835	394,690	5,293,945	-	$ (2,472,200)
Supporting Services:					
Students	336,595	-	-	-	(336,595)
Instructional staff	303,456	-	-	-	(303,456)
District administration	264,834	-	-	-	(264,834)
School administration	557,574	-	-	-	(557,574)
Business	310,172	-	-	-	(310,172)
Operation and maintenance of facilities	450,171	-	-	-	(450,171)
Transportation	689,580	-	-	-	(689,580)
Other	37,300	-	-	-	(37,300)
School lunch services	297,890	137,079	-	-	(160,811)
Capital outlay	919,172	-	-	-	(919,172)
Interest on long-term liabilities	244,717	-	-	-	(244,717)
Total governmental activities	$12,572,296	531,769	5,293,945	-	(6,746,582)

General revenues:	
Property taxes levied for:	
General Purpose	4,454,703
Transportation	241,895
Recreation	870,834
Debt Service	711,206
Capital Outlay	2,049,674
Interest earnings	335,082
Loss on sale of capital assets	(5,667)
Total general revenues	8,657,727
Change in net assets	1,911,145
Net assets - beginning	32,544,801
Net assets - ending	$34,455,946

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

South Summit School District

Balance Sheet
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Special Revenue: Non-K12	Special Revenue: Food Service	Debt Service	Capital Projects: Capital Projects	Capital Projects: Building Reserve	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 2,436,968	533,674	46,684	16,777	1,227,888	3,358,720	7,620,711
Property taxes receivable	3,346,349	1,001,846	-	674,709	2,535,621	-	7,558,525
Receivables- other	541,268	37,165	13,731	141,727	-	-	733,891
Total assets	6,324,585	1,572,685	60,415	833,213	3,763,509	3,358,720	15,913,127
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	300,336	36,238	4,470	-	22,369	-	363,413
Accrued salaries	731,594	10,134	12,535	-	-	-	754,263
Deferred revenue							
Property taxes	3,225,673	967,470	-	650,001	2,464,441	-	7,307,585
Other governments	-	-	-	110,687	-	-	110,687
Tax refund payable	-	-	-	-	-	-	-
Total liabilities	4,257,603	1,013,842	17,005	760,688	2,486,810	-	8,535,948
Fund Balances:							
Reserved for:							
Non-k12	-	486,736	-	-	-	-	486,736
Food service	-	-	43,410	-	-	-	43,410
Debt service	-	-	-	72,525	-	-	72,525
Special transportation	174,453	-	-	-	-	-	174,453
Tort liability	75,794	-	-	-	-	-	75,794
Unreserved:							
Designated - Employee benefit obligations	536,480	-	-	-	-	-	536,480
Designated - Other	437,568	72,107	-	-	-	-	509,675
Designated - Undistributed reserve	424,000	-	-	-	-	-	424,000
Undesignated, reported in:							
General fund	418,687	-	-	-	-	-	418,687
Capital projects fund	-	-	-	-	1,276,699	3,358,720	4,635,419
Total fund balances	2,066,982	558,843	43,410	72,525	1,276,699	3,358,720	7,377,179
Total liabilities and fund balances	$ 6,324,585	1,572,685	60,415	833,213	3,763,509	3,358,720	15,913,127

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

South Summit School District

Balance Sheet Reconciliation to Statement of Net Assets

June 30, 2006

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

Total fund balances - governmental fund types:	$ 7,377,179
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $36,994,105 and the accumulated depreciation is $ 9,741,359	26,629,845
Property tax revenue is recognized when earned (claim to resources established) rather than when available.	7,307,585
Bond issue costs are reported as expenditures in governmental funds.	80,800
To recognize interest accrual for the lease revenue bonds	(52,600)
Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds	(6,886,863)
Net assets of government activities	$ 34,455,946

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

South Summit School District

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

		Special Revenue			Capital Projects		Total
	General	Non-K12	Food Service	Debt Service	Capital Projects	Building Reserve	Governmental Funds
Revenues:							
Property taxes	$ 3,483,715	989,915	$ -	711,206	$ 2,049,674	$ -	$ 7,234,510
Community school fees	-	394,690	-	-	-	-	394,690
Earnings on investments	188,150	2,257	-	1,761	20,669	122,245	335,082
School lunch sales	-	-	137,079	-	-	-	137,079
Other local sources	67,861	5,779	5,753	31,040	600	10,000	121,033
State aid	4,416,163	88,149	48,550	-	-	-	4,552,862
Federal aid	471,565	37,164	111,321	-	-	-	620,050
Total revenues	8,627,454	1,517,954	302,703	744,007	2,070,943	132,245	13,395,306
Expenditures:							
Current:							
Instructional services	5,419,471	1,423,533	-	-	-	-	6,843,004
Supporting services:							
Students	336,595	-	-	-	-	-	336,595
Instructional staff	303,456	-	-	-	-	-	303,456
District administration	263,583	-	-	-	-	-	263,583
School administration	498,621	-	-	-	-	-	498,621
Central	310,172	-	-	-	-	-	310,172
Operation and maintenance of facilities	444,451	-	-	-	-	-	444,451
Transportation	573,431	-	-	-	-	-	573,431
Other	37,300	-	-	-	-	-	37,300
School lunch services	-	-	297,890	-	-	-	297,890
Capital Projects	-	-	-	-	1,324,215	-	1,324,215
Debt service:							
Bond principal	-	-	-	647,365	410,000	-	1,057,365
Interest and fiscal charges	-	-	-	104,320	135,013	-	239,333
Paying agent fees	-	-	-	750	-	-	750
Total expenditures	8,187,080	1,423,533	297,890	752,435	1,869,228	-	12,530,166
Excess (deficiency) of revenues over (under) expenditures	440,374	94,421	4,813	(8,428)	201,715	132,245	865,140
Other financing sources (uses):							
Transfers In	303,360	-	-	-	-	500,000	803,360
Transfers (out)	-	-	-	-	(500,000)	(303,360)	(803,360)
Proceeds from sale of capital assets	8,876	-	-	-	2,050	-	10,926
Total other financing sources (uses)	312,236	-	-	-	(497,950)	196,640	10,926
Net change in fund balances	752,610	94,421	4,813	(8,428)	(296,235)	328,885	876,066
Fund balances - beginning	1,314,372	464,422	38,597	80,953	1,572,934	3,029,835	6,501,113
Fund balances - ending	$ 2,066,982	$ 558,843	$ 43,410	$ 72,525	$ 1,276,699	$ 3,358,720	$ 7,377,179

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

South Summit School District

Statement of Changes Reconciliation to Statement of Activities
For the Year Ended June 30, 2006

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

Net changes in fund balances - total governmental funds		$ 876,066
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost fo those assets is allocated over their estimated useful life lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	$ 405,043	
Depreciation	(1,005,580)	(600,537)
The government funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred ans amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in treatment is as follows:		
Interest expense- lease revenue bond	$ 5,466	
net of bond issuance costs, premiums, and amortizations	(10,100)	
Retirement of long-term debt	1,057,365	1,052,731
In the statement of activities, certain operating expenses - compensated absences and post employment benefits - are measured by the amounts earned during the year. In governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amount actually paid).		(494,324)
The net effect of sales of capital assets.		(16,593)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,093,802
Change in net assets of governmental activities		$ 1,911,145

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

South Summit School District

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes	$ 2,992,455	2,992,455	3,483,715	491,260
Earnings on investments	110,000	175,000	188,150	13,150
Other local sources	13,750	50,000	61,243	11,243
Local governmental units other than LEAs	7,800	1,000	1,000	-
Tuition from pupils or parents	2,730	5,557	5,618	61
State aid	4,225,249	4,415,478	4,416,163	685
Federal aid	429,983	416,171	471,565	55,394
Total revenues	7,781,967	8,055,661	8,627,454	571,793
EXPENDITURES				
Current:				
Instructional services	5,418,761	5,596,951	5,419,471	177,480
Supporting services:				
Students	380,956	380,956	336,595	44,361
Instructional staff	220,240	299,851	303,456	(3,605)
District administration	274,200	274,200	263,583	10,617
School administration	472,792	500,685	498,621	2,064
Central	298,490	321,733	310,172	11,561
Operation and maintenance of facilities	486,279	484,133	444,451	39,682
Transportation	557,277	599,243	573,431	25,812
Other support	32,904	37,700	37,300	400
Total expenditures	8,141,899	8,495,452	8,187,080	308,372
Excess revenues over (under) expenditures	(359,932)	(439,791)	440,374	880,165
Other financing sources (uses)				
Transfers in	303,367	303,360	303,360	-
Transfers (out)	(16,625)	-	-	-
Proceeds from sale of capital assets	-	8,476	8,876	400
Total other financing sources and uses	286,742	311,836	312,236	400
Excess of revs and other sources over (under) expend and other uses	(73,190)	(127,955)	752,610	880,565
Fund balances - beginning of year	1,314,372	1,314,372	1,314,372	-
Fund balances - end of year	$ 1,241,182	1,186,417	2,066,982	880,565

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

South Summit School District

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

Non K-12 Programs

For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Property taxes	$ 967,027	$ 967,027	$ 989,915	$ 22,888
Community school fees	330,000	360,000	394,690	34,690
Tuition	1,524	2,250	2,257	7
Miscellaneous revenues	5,630	6,000	5,779	(221)
Total local sources	1,304,181	1,335,277	1,392,641	57,364
State sources:				
Adult basic skills	12,223	18,125	18,375	250
Preschool	32,730	69,774	69,774	-
Total State Sources	44,953	87,899	88,149	250
Federal sources:				
Preschool	6,458	6,458	6,766	308
Other revenues	25,000	30,000	30,398	398
Total federal sources	31,458	36,458	37,164	706
Total revenues	1,380,592	1,459,634	1,517,954	58,320
Expenditures:				
Current:				
Salaries	657,673	692,131	653,557	38,574
Employee benefits	145,710	160,702	154,953	5,749
Purchased services	96,467	139,950	134,855	5,095
Supplies	334,475	455,600	454,642	958
Property	39,000	25,500	20,019	5,481
Other	2,760	2,760	5,507	(2,747)
Total expenditures	1,276,085	1,476,643	1,423,533	53,110
Excess (deficiency) of revenues over (under) expenditures	104,507	(17,009)	94,421	111,430
Fund balances - beginning	464,422	464,422	464,422	-
Fund balances - ending	$ 568,929	$ 447,413	$ 558,843	$ 111,430

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

South Summit School District

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

Food Service

For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Sales to students	$ 120,000	$ 132,000	$ 133,733	$ 1,733
Sales to adults	2,475	3,000	3,346	346
Other local revenues	7,945	5,400	5,753	353
Total local sources	130,420	140,400	142,832	2,432
State sources:				
School lunch	30,000	30,000	48,550	18,550
Total state sources	30,000	30,000	48,550	18,550
Federal sources:				
Lunch reimbursement	84,400	84,400	90,152	5,752
Special milk reimbursement	2,300	2,300	1,881	(419)
Other child nutrition program	-	-	500	500
Donated commodities	16,000	18,500	18,788	288
Total federal sources	102,700	105,200	111,321	6,121
Total revenues	263,120	275,600	302,703	27,103
Expenditures:				
Salaries	104,000	107,100	99,515	7,585
Employee benefits	43,345	49,350	48,067	1,283
Purchased services	3,650	5,600	5,626	(26)
Supplies	134,250	134,250	140,769	(6,519)
Property	2,500	3,900	3,878	22
Other	200	200	35	165
Total expenditures	287,945	300,400	297,890	2,510
Excess (deficiency) of revenues over (under) expenditures	(24,825)	(24,800)	4,813	29,613
Other financing sources:				
Transfer in	16,625	-	-	-
Net change in fund balances	(8,200)	(24,800)	4,813	29,613
Fund balances - beginning	38,597	38,597	38,597	-
Fund balances - ending	$ 30,397	$ 13,797	$ 43,410	$ 29,613

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

South Summit School District

Statement of Fiduciary Net Assets
Agency Fund
June 30, 2006

	Student Activity and Scholarship Fund
Assets:	
Cash and cash equivalents	$ 128,507
Liabilities:	
Held in trust - scholarship	$ 12,992
Due to student organizations	115,515
Total liabilities	$ 128,507

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The South Summit School District financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District applies all FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

South Summit School District operates under a board/superintendent form of government and provides public education to the residents of South summit county. As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the District's financial statements.

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. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment, 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary 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.

Note 1 - Summary of Significant Accounting Policies - Continued

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 proprietary fund and 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 the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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 cash is received by the District.

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 for in another fund.

The *non K-12 fund* is used to account for programs that are not part of the basic educational program kindergarten, elementary, and secondary students. through twelve grade.

The *food service fund* is used to account for the school lunch activities of the District as required by state and federal law.

The *debt service fund* is used to account for the accumulation of resources and payment of principal and interest on general obligation debt due annually.

The *capital projects fund* is used to account for financial resources used in the acquisition and construction of major capital improvements.

The *building reserve fund* is used to account for the accumulation of resources for the replacement, repair, and future improvement of the District's buildings.

Additionally, the government reports the following fund type:

The *student activities agency fund* is used to account for assets held on behalf of student groups.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has no business-type activities or enterprise funds and has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District currently has no proprietary fund types.

When both restricted and unrestricted resources are available for use, it is the government'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 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.

Prior to June 1 of each year, the District superintendent submits to the Board a tentative budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also are the estimated revenues and expenditures for the current year ending June 30th.

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

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining public 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 an approve reduction 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 appropriations to another within any given fund.

Certain interim adjustments in estimated revenue and expenditures 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 appropriation at the department level for the maintenance and operation fund, and at the fund level for all other governmental funds.

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 expenditures will be positive.

Excess of expenditures over appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the instructional staff department (legal level of budgetary control) of the general fund by $3,605. These over expenditures were funded by greater than anticipated revenue.

Assets, liabilities, and net assets or equity

1. 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.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Property taxes are collected by the County Treasurer and remitted to the District shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,000 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 at estimated fair market value at the date of donation.

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

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building improvements	15
Buses	10
Vehicles	5
Equipment	3-10

4. Accrued wages payable

Wages payable result from unpaid employee service at the balance sheet date. This amount arises from the employee contracts that spread payment for nine months of service over a twelve month period.

5. Compensated absences

Under terms of association agreements, employees can earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is not reimbursed for unused vacation days. Accumulated sick leave is reimbursed to employees that retire. A liability for this amount is reported in the governmental funds only if they have matured, for example, as a result of employee retirements.

6. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

7. 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 for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Note 2 - Deposits and Investments

The District maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Deposits and investments for local governments are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial credit risk - Deposits. This is the risk that in the event of a bank failure, the government's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management 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 Utah Money Management Council. As of June 30, 2006, $2,173,391 of the $2,573,391 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - Investments. This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

As of June 30, 2006, the District had the following deposits and investments:

	Fair Value
Cash on deposit	$ 2,573,391
State treasurer's investment pool	5,313,781
	$ 7,887,172

Credit risk. This 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 $5,313,781 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk. This is the risk that changes in interest rates of debt investment 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.

Concentration of credit risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on deposit	$ 2,306,930
State Treasurer's investment pool	5,313,781
	$ 7,620,711

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	$ 7,620,711

Note 3 - Other Receivables

At June 30, 2006, other receivables were comprised of the following:

Local Funding	$ 66,723
State funding	85,376
Federal grants	440,065
Boundary Change	141,727
	$ 733,891

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Note 4 - Capital Assets

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

Primary Government Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,561,089	262,649	-	2,823,738
Construction in progress	344,280	-	344,280	-
Total capital assets not being depreciated	2,905,369	262,649	344,280	2,823,738
Capital assets being depreciated:				
Buildings	31,546,786	253,799	-	31,800,585
Improvements	-	-	-	-
Machinery and equipment	2,541,950	227,104	167,110	2,601,944
Total capital assets being depreciated	34,088,736	480,903	167,110	34,402,529
Less accumulated depreciation for:				
Buildings	8,344,690	802,035	-	9,146,725
Improvements	-	-	-	-
Machinery and equipment	1,396,669	203,545	150,517	1,449,697
Total accumulated depreciation	9,741,359	1,005,580	150,517	10,596,422
Total capital assets, being depreciated, net	24,347,377	(524,677)	16,593	23,806,107
Governmental activities capital assets, net	$ 27,252,746	$ (262,028)	$ 360,873	$26,629,845

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instructional	$ 823,507
District administration	1,251
School administration	58,953
Operations & maintenance	5,720
Transportation	116,149
Total depreciation expense -governmental activities	$ 1,005,580

Note 5 - Retirement plans

Defined Benefit Plans

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

The System is 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 System issues a publicly available financial report that includes financial statements and required supplementary information for the System. 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.

Employees participating in the State and School Noncontributory System, the District contributes 13.38% of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the System are authorized by statute and specified by the board.

The District contributions to the State and School Noncontributory Retirement System for the years ending June 30, 2006, 2005, and 2004, were $ 678,248, $661,627, and $554,270 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 Systems have a contribution rate 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 $132,960, $160,319, and $124,625 respectively; the employee contributions for the years ending June 30, 2006, 2005, and 2004 are $ 144,347, $115,311, and $105,607, 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.

Note 6 - Long - Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,615,000	$ -	$ 615,000	$ 2,000,000	$ 640,000
Lease revenue bonds	4,355,000	-	410,000	3,945,000	430,000
Total bonds payable	6,970,000	-	1,025,000	5,945,000	1,070,000
Notes payable boundary change	193,518	-	38,136	155,382	31,360
Post employment benefit obligation	-	500,644	-	500,644	-
Compensated absences payable	292,157	-	6,320	285,837	-
Total governmental activity long-term liabilities	$ 7,455,675	$ 500,644	$ 1,069,456	$ 6,886,863	$ 1,101,360

Payments on the general obligation bonds and boundary change notes are made by the debt service fund with property taxes. The lease revenue bonds and obligations under capital leases are paid by the capital projects fund. The compensated absences will be paid by the fund in which the employee worked. The annual requirements to amortize all general obligation, revenue bonds, and note payable outstanding as of June 30, 2006, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	1,101,360	237,827	$ 1,339,187
2008	1,141,260	195,347	1,336,607
2009	1,191,392	150,947	1,342,339
2010	506,584	104,200	610,784
2011	521,096	85,000	606,096
2012-2014	1,638,690	131,800	1,770,490
	$ 6,100,382	$ 905,121	$ 7,005,503

Note 7 - Designated for Undistributed Reserve

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for district employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

Note 8 - Other information

Risk management

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to $10 million per occurrence through policies administered by the Utah State Risk Management Fund (USRMF). The District also insures its buildings and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management. Property physical damage is insured to replacement value with a $1,000 deductible; automobile physical damage is insured to actual value with a $1,500 deductible; other liability is limited to the lesser of $10 million or the statutory limit.

The USRMF is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to USRMF: USRMF obtains independent coverage for insured events, up to 25 million per location. This is a pooled arrangement where the districts pay experience related annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

SUPPLEMENTAL INFORMATION

South Summit School District

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
Major Governmental Fund - Debt Service
For the Year Ended June 30, 2006

	Budget Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property tax	$ 686,689	$ 686,689	$ 711,206	$ 24,517
Other revenue from local sources	36,975	31,040	31,040	-
Earnings on investments	1,385	1,385	1,761	376
Total revenues	725,049	719,114	744,007	24,893
Expenditures:				
Debt service:				
Bond principal	636,448	647,365	647,365	-
Bond interest & fiscal charges	127,525	104,320	104,320	-
Paying agent fees	750	750	750	-
Total expenditures	764,723	752,435	752,435	-
Excess (deficiency) of revenues over (under) expenditures	(39,674)	(33,321)	(8,428)	24,893
Other financing sources (uses):				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(39,674)	(33,321)	(8,428)	24,893
Fund balance - beginning	80,953	80,953	80,953	-
Fund balance - ending	41,279	$ 47,632	$ 72,525	$ 24,893

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

South Summit School District

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
Major Governmental Fund - Capital Projects
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Local sources:				
Property taxes	$ 2,009,573	$ 2,009,573	$ 2,049,674	$ 40,101
Earnings on investments	3,200	20,500	20,669	169
Other revenue from local sources	15,000	600	600	-
Total local sources	2,027,773	2,030,673	2,070,943	40,270
State sources	-	-	-	-
Total revenues	2,027,773	2,030,673	2,070,943	40,270
Expenditures:				
10% of basic for:				
Supplies	409,303	508,453	489,451	19,002
Equipment	67,100	91,750	91,953	(203)
Total 10% of basic	476,403	600,203	581,404	18,799
Operation and maintenance of facilities				
Salaries	45,300	59,000	62,228	(3,228)
Employee benefits	18,315	22,914	22,930	(16)
Purchased services	41,500	44,250	46,360	(2,110)
Supplies	91,929	101,742	102,675	(933)
Total operation and maintenance of facilities	197,044	227,906	234,193	(6,287)
Building acquisition and construction				
Salaries	20,000	20,000	9,393	10,607
Employee benefits	4,506	4,506	2,124	2,382
Purchased services	87,118	72,368	38,322	34,046
Property expenses	604,750	410,000	251,906	158,094
Supplies	16,000	17,000	10,670	6,330
Land and improvements	160,000	157,000	72,993	84,007
Machinery	10,000	20,000	4,320	15,680
School Buses	80,000	95,000	95,032	(32)
Furniture and fixtures	68,000	67,500	8,900	58,600
Non-Bus Vehicles	25,000	25,000	7,676	17,324
Other Equipment	52,500	42,500	7,282	35,218
Principal retirement	395,000	410,000	410,000	-
Interest	140,390	174,200	135,013	39,187
Total building acquisition and construction	1,663,264	1,515,074	1,053,631	461,443
Total expenditures	2,336,711	2,343,183	1,869,228	473,955
Excess (deficiency) of revenues over (under) expenditures	(308,938)	(312,510)	201,715	514,225
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(500,000)	(500,000)	-
Proceeds from sale of capital assets	-	-	2,050	2,050
Total other financing sources (uses)	-	(500,000)	(497,950)	2,050
Net change in fund balances	(308,938)	(812,510)	(296,235)	516,275
Fund balance - beginning	1,572,934	1,572,934	1,572,934	-
Fund balance - ending	$ 1,263,996	$ 760,424	$ 1,276,699	$ 516,275

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

South Summit School District

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
Major Governmental Fund - Building Reserve
For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Earnings on investments	$ 60,000	$ 115,000	$ 122,245	$ 7,245
Other local sources	380	10,000	10,000	-
Total revenues	60,380	125,000	132,245	7,245
Expenditures:				
Purchased services	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	60,380	125,000	132,245	7,245
Other financing sources:				
Transfers In	-	500,000	500,000	-
Transfers Out	(303,367)	(303,360)	(303,360)	-
Total other financing sources (uses)	(303,367)	196,640	196,640	-
Net change in fund balances	(242,987)	321,640	328,885	7,245
Fund balances - beginning	3,029,835	3,029,835	3,029,835	-
Fund balances - ending	$ 2,786,848	$ 3,351,475	$ 3,358,720	$ 7,245

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

South Summit School District

Statement of Changes in Assets and Liabilities
Student Activities and Scholarship Agency Fund
For the Year Ended June 30, 2006

	Net Assets June 30, 2005	Additions	Deletions	Net Assets June 30, 2006
Assets:				
Cash & cash equivalents	$ 116,255	$ 367,864	$ 355,612	$ 128,507
Liabilities:				
Held in trust - scholarship	$ 7,697	$ 6,295	$ 1,000	$ 12,992
Due to student organizations:				
South summit elementary school	5,840	38,354	33,637	10,557
South summit middle school	21,194	42,486	43,658	20,022
South summit high school	58,755	97,426	98,469	57,712
High school activity and class fund	22,769	183,303	178,848	27,224
Total due to student organizations	108,558	361,569	354,612	115,515
Total liabilities	$ 116,255	$ 367,864	$ 355,612	$ 128,507

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

Ulrich & Associates, PC
Certified Public Accountants

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

Board of Education
South Summit School District
Kamas, UT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Summit School District, as of and for the year ended June 30, 2006, which collectively comprise South Summit School District's basic financial statements and have issued our report thereon dated December 8, 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 South Summit School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 South Summit 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*.

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We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of South Summit School District in a separate letter dated December 8, 2006.

This report is intended solely for the information and use of the board of education, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

December 8, 2006

Ulrich & Associates, PC
Certified Public Accountants

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

Honorable Board of Education
South Summit School District
Kamas, Utah

Compliance

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

In our opinion, South Summit School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of South Summit 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 South Summit 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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of South Summit School District as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of South Summit School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the School Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

December 8, 2006

Ulrich & Associates, PC
Certified Public Accountants

South Summit School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

	Federal CFDA Number	Pass-Thru Grantor's Number	For the Year Ended June 30, 2006 Revenue Recognized	Expenditures
U.S. Department of Education				
Passed through Utah State Office of Education				
NCLB - Title 1A	84.010A	0508	$ 1,871	$ 1,871
	84.010A	0608	78,390	78,390
NCLB - Tech. Literacy Challenge	84.318X	0507	466	466
	84.318X	0607	1,696	1,696
IDEA Preschool Disabled	84.173	0552	6,766	6,766
IDEA Disable	84.027A	0619	224,732	224,732
Applied Technology Education	84.048A	0621	24,534	24,534
Principals Lit Instruction	84.215K	0614	1,000	1,000
FIE Earmark Grant	84.215K	0614	2,000	2,000
Earmark Ed License	84.215K	0510	27,342	27,342
Drug Free Schools and Communities	84.186A	0609	4,521	4,521
NCLB-Teacher Quality	84.367	0674	44,092	44,092
NCLB-Innovative Programs	84.298	0690	5,608	5,608
NCLB - ENGLISH Language Acq	84.365	0673	3,000	3,000
Total U.S. Department of Education			426,018	426,018
U.S. Department of Agriculture (See Note B):				
Passed through Utah State Office of Education:				
Food Distribution (Commodities)	10.550	0639	18,788	18,788
National School Lunch Program 4-6	10.555	0542	4,344	4,344
	10.555	0642	22,739	22,739
Special Assistance Program 6	10.555	0543	9,567	9,567
	10.555	0643	53,502	53,502
Special Milk	10.556	0541	313	313
	10.556	0641	1,568	1,568
Total U.S. Department of Agriculture			110,821	110,821
U.S. Department of Health and Human Services:				
Passed through Davis County School District:				
Head Start	93.600	N/A	44,739	44,739
Total U.S. Department of Health and Human Services			44,739	44,739
Corporation for National and Community Services:				
Passed through Ogden City School District:				
Americorp Grant	94.006	N/A	4,660	4,660
Total Corporation for National and Community Services			4,660	4,660
Total Federal Awards			$ 586,238	$ 586,238

See Independent Auditors' Report

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Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Summit School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**

Note B - Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of South Summit School District.

2. No reportable conditions relating to the audit of the general purpose financial statements were disclosed during the audit.

3. No instances of noncompliance material to the general purpose financial statements of South Summit School District were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award programs are reported in this schedule

5. The auditors' report on compliance for the major federal award program expresses an unqualified opinion on the major federal program

6. No audit findings relative to the major federal award program for South Summit School District are reported in this schedule

7. The programs tested as major programs were:

Name	CFDA No.
IDEA Disabled	84.027A

8. The threshold for distinguishing Types A and B programs was $300,000.

9. South Summit School District was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS

None

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

None

Ulrich & Associates, PC
Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

Board of Education
South Summit School District
Kamas, UT

We have audited the basic financial statements of the South Summit School District for the year ended June 30, 2006 and have issued our report thereon dated December 8, 2006. As part of our audit, we have audited compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah 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 Program
School Lunch
Drivers Education

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property Tax Limitations
Other Compliance Requirements

The management of the South Summit 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.

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The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the South Summit School District, complied, in all material respects, with the general compliance requirements 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 each of its major State assistance programs for the year ended June 30, 2006.

Ulrich & Associates, P.C.

December 8, 2006

1. Budgetary Compliance

In the general fund the students support department expenditures exceeded appropriations by $3,605

Auditors' recommendation

We recommend management monitor expenses throughout the year to stay within budgeted amounts.

Management response

Management will closely monitor the expenditures throughout the year. Estimates of expenditures close to year end will be made so proper budget adjustments can be made.

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