

**EMERY COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2002**

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INDEPENDENT AUDITOR'S REPORT

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


We have audited the accompanying general purpose financial statements of Emery County School District as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Emery County School District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Emery County School District at June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2002, 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 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Emery County School District, 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 not a required part of the general purpose financial statements. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 11, 2002
Richfield, Utah

Fiduciary Fund Type	Account Groups		Totals (Memorandum)	
	Agency	General Fixed Assets	General Long Term Debt	June 30, 2002
337,586	-	-	7,276,921	5,857,869
-	-	-	48,785	41,642
-	-	-	23,921	27,079
-	-	-	81,807	104,986
-	-	-	471,306	259,413
-	-	-	-	11,785
-	-	-	91,388	113,377
-	349,397	-	349,397	349,397
-	38,796,969	-	38,796,969	38,048,470
-	2,992,126	-	2,992,126	2,992,126
-	43,158	-	43,158	43,158
-	1,559,766	-	1,559,766	1,108,356
-	2,156,487	-	2,156,487	2,128,246
-	-	3,523,342	3,523,342	3,818,743
<u>337,586</u>	<u>45,897,903</u>	<u>3,523,342</u>	<u>57,415,373</u>	<u>54,904,647</u>
61,600	-	-	614,935	504,847
-	-	-	895,082	867,261
-	-	-	451,236	503,749
275,986	-	-	275,986	297,420
-	-	-	11,940	155,216
-	-	1,885,000	1,885,000	2,540,000
-	-	1,298,933	1,298,933	962,933
-	-	339,409	339,409	315,810
<u>337,586</u>	<u>-</u>	<u>3,523,342</u>	<u>5,772,521</u>	<u>6,147,236</u>
-	45,897,903	-	45,897,903	44,669,753
-	-	-	44,622	86,959
-	-	-	298,471	-
-	-	-	3,195,170	140,784
-	-	-	2,206,686	3,859,915
-	<u>45,897,903</u>	<u>-</u>	<u>51,642,852</u>	<u>48,757,411</u>
<u>337,586</u>	<u>45,897,903</u>	<u>3,523,342</u>	<u>57,415,373</u>	<u>54,904,647</u>

Totals (Memorandum Only)

<u>June 30, 2002</u>	<u>June 30, 2001</u>
10,401,770	9,890,933
8,876	11,130
162,011	427,035
407,712	421,817
9,895,778	9,431,773
<u>1,407,054</u>	<u>1,295,365</u>
<u>22,283,201</u>	<u>21,478,053</u>
11,355,199	10,894,620
367,941	352,442
318,251	345,861
1,002,711	254,696
1,347,279	1,458,409
256,725	247,715
1,395,359	1,430,662
837,626	834,265
785,540	809,823
484,794	497,808
1,730,312	1,254,104
2,155,000	2,065,000
<u>121,951</u>	<u>212,007</u>
<u>22,158,688</u>	<u>20,657,412</u>
<u>124,513</u>	<u>820,641</u>
1,500,000	-
23,008	-
<u>9,770</u>	<u>21,653</u>
<u>1,532,778</u>	<u>21,653</u>
1,657,291	842,294
<u>4,087,658</u>	<u>3,245,364</u>
<u>5,744,949</u>	<u>4,087,658</u>

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
501,486	495,967	(5,519)	2,380,438	2,379,711	(727)
-	-	-	-	-	-
-	-	-	-	3,416	3,416
268,705	265,739	(2,966)	-	-	-
351,635	350,165	(1,470)	-	-	-
486,251	486,001	(250)	-	-	-
17,825	-	(17,825)	-	-	-
<u>1,625,902</u>	<u>1,597,872</u>	<u>(28,030)</u>	<u>2,380,438</u>	<u>2,383,127</u>	<u>2,689</u>
267,394	233,961	33,433	-	-	-
-	-	-	-	-	-
12,611	12,223	388	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
805,510	782,947	22,563	-	-	-
540,387	484,794	55,593	-	-	-
-	-	-	-	-	-
-	-	-	2,276,438	2,155,000	121,438
-	-	-	104,000	121,951	(17,951)
<u>1,625,902</u>	<u>1,513,925</u>	<u>111,977</u>	<u>2,380,438</u>	<u>2,276,951</u>	<u>103,487</u>
-	83,947	83,947	-	106,176	106,176
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>83,947</u>	<u>83,947</u>	<u>-</u>	<u>106,176</u>	<u>106,176</u>
	<u>219,344</u>			<u>95,496</u>	
	<u>303,291</u>			<u>201,672</u>	

Totals (Memorandum Only)

<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
10,421,663	10,401,770	(19,893)
10,000	8,876	(1,124)
159,072	162,011	2,939
399,720	407,712	7,992
9,868,850	9,895,778	26,928
1,406,880	1,407,054	174
182,141	-	(182,141)
<u>22,448,326</u>	<u>22,283,201</u>	<u>(165,125)</u>
11,849,652	11,355,199	494,453
390,963	367,941	23,022
334,523	318,251	16,272
999,518	1,002,711	(3,193)
1,357,282	1,347,279	10,003
264,707	256,725	7,982
1,424,904	1,395,359	29,545
820,194	837,626	(17,432)
818,103	785,540	32,563
540,387	484,794	55,593
2,804,079	1,730,312	1,073,767
2,276,438	2,155,000	121,438
104,000	121,951	(17,951)
<u>23,984,750</u>	<u>22,158,688</u>	<u>1,826,062</u>
<u>(1,536,424)</u>	<u>124,513</u>	<u>1,660,937</u>
1,500,000	1,500,000	-
26,424	23,008	(3,416)
10,000	9,770	(230)
<u>1,536,424</u>	<u>1,532,778</u>	<u>(3,646)</u>
<u>-</u>	1,657,291	<u>1,657,291</u>
	<u>4,087,658</u>	
	<u>5,744,949</u>	

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Emery County School District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

For financial reporting purposes, the Board of Education of Emery County School District is the lowest level of government exercising oversight responsibility for all activities related to public school education in Emery County, Utah. Financial statements are presented for all of the funds and account groups considered by the Utah Department of Education to be a part of the District. The reporting entity includes all components considered to be financially accountable to the District as defined by GASB Statement 14.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

Governmental Funds:

Governmental Funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund: The General Fund (Maintenance and Operation Fund) is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund: The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District has two Special Revenue Funds:

Non K-12 Fund - A fund used to account for the operation of the programs authorized by Utah State law as Non K-12 Funds.

School Lunch Fund - A school lunch fund is used to account for the operation of the School Lunch Program. The Fund is deemed to be a special revenue fund as a result of substantial state and federal subsidies.

Debt Service Fund - 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.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary Funds:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary Funds include the following fund type:

Agency Funds - Agency funds are 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.

Account Groups:

General Fixed Assets - Property and equipment used in Governmental Fund type operations (i.e. those which relate to the general activities and services of the District) are accounted for in the General Fixed Assets Account Group, rather than in the Governmental Funds.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Long-Term Debt Account Group - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group rather than in the governmental funds.

C. Assets, Liabilities and Equity

Deposits and Investments:

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

Investments are stated at cost.

Fixed Assets:

General fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired through gifts or donations are recorded at their estimated fair market value at time of acquisition. In accordance with Generally Accepted Accounting Principles, no provision is made for depreciation of assets in the general fixed assets group.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

Fund Balance:

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The District does not record encumbrances at year end. Any unperformed contracts at year end are appropriated for in the succeeding years' budget.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Reserves

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use.

The District has a reserve for inventory, capital outlay, and purchase commitments. These accounts are used to segregate a portion of the fund balance.

F. Memorandum Only - Total Columns:

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

G. Budgets and Budgetary Accounting:

The following procedures are used in establishing the budgetary data reflected in the financial statements. Each budget is presented on the modified accrual basis of accounting.

1. During May of each year, the Superintendent of Schools submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. This budget includes proposed expenditures and the means of financing them. Included also is the final amended budget for the current year ending June 30.
2. Copies of the proposed budget are made available for public inspection and review by the District's patrons.
3. A public hearing is held prior to June 15 in which the budget is legally adopted by resolution of the Board of Education after obtaining taxpayer input. Budgets are legally adopted for all funds except for the Agency Funds for which the board has oversight responsibility.
4. Any revisions during the operating year due to unforeseen expenditures, adjustments in estimated revenues, or changes in categorical program funding (funds that are restricted for a specific purpose) must be approved by the Board of Education.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

Emery County School District's deposits in bank accounts at June 30, 2002, was \$236,518. Of this amount \$161,611 was insured by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. The book balance at June 30, 2002, was \$227,804. Cash on hand was \$145.

Investments:

Statutes authorize the District to invest in obligations of the U. S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, Bankers' acceptances, repurchase agreements and the state treasurer's investment pool. The District is also authorized to enter into reverse repurchase agreements. At year end the District had \$6,646,551 invested with the Utah State Treasurer's Pool.

The District's investments are categorized below to give an indication of the risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District in the District's name, and includes deposits collateralized by securities held by the District in the District's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the District's name, and includes deposits collateralized by securities held by the pledging institution in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the District's name, and includes deposits not insured or collateralized.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Emery County School District's investments at year end are shown below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investments:				
Repurchase Agreements	-	-	402,421	402,421
Other Items:				
State Treasurer's Investment Pool				6,646,551
Total Investments				7,048,972

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

NOTE 3 - INVENTORY

These accounts represent supplies and materials purchased and available for use at the end of this fiscal year. USDA inventories, held by the school food service fund as deferred revenue, are priced at the value specified by the Department of Agriculture. The other inventory items are supplies valued at cost. A reserve in the fund balance has been provided for the value of the purchased inventory.

NOTE 4 - PROPERTY TAXES

Property tax revenue of Emery County School District is levied, collected and distributed by Emery County as required by state law. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess property as of January 1, and complete the tax rolls by May 15. By July 21, the County Treasurer is to mail notices of assessed value 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. Approved changes in assessed value are made by the County Auditor by October 15. By November 1, the Auditor is to deliver the completed assessment rolls to the State Treasurer. Tax notices are mailed with a due date of November 30.

The property tax revenues for the fiscal year ended June 30, 2002 are based on the collection in the fiscal year of taxes assessed prior to June 30, 2002. These taxes are collected by Emery County and remitted to the District throughout the fiscal year.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 5 - GENERAL FIXED ASSETS

The following is a statement of changes in the General Fixed Assets as of June 30, 2002:

	Balance <u>June 30, 2001</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>
Land	349,397	-	-	-	349,397
Buildings	38,048,470	-	748,499	-	38,796,969
Improvements Other Than Buildings	2,992,126	-	-	-	2,992,126
Computer Equip.	43,158	-	-	-	43,158
Equip. and Furniture	1,108,356	36,747	423,289	8,626	1,559,766
Vehicles	<u>2,128,246</u>	<u>-</u>	<u>197,812</u>	<u>169,571</u>	<u>2,156,487</u>
Totals	<u>44,669,753</u>	<u>36,747</u>	<u>1,369,600</u>	<u>178,197</u>	<u>45,897,903</u>

NOTE 6 - LONG-TERM DEBT

General Obligation Bonds:

General Obligation School Building Bonds - Series 1998. Interest is payable December 15 and June 15. The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	<u>385,000</u>	<u>15,881</u>	<u>400,881</u>

During 2002 the District issued \$1,500,000 of General Obligation School Building Bonds for the purpose of retrofitting heating systems in three elementary schools and to finance the construction of a new warehouse. The bonds require payments beginning June 15, 2004 and carry an interest rate of 3.7% and 4%. The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003-2004	410,000	55,900	465,900
2004-2005	420,000	43,600	463,600
2005-2006	440,000	26,800	466,800
2006-2007	<u>230,000</u>	<u>9,200</u>	<u>239,200</u>
Total	<u>1,500,000</u>	<u>135,500</u>	<u>1,635,500</u>

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in General Obligation Bonds debt service:

*1/25
5/21/11
12/15/14
10/22/10
10/22/10
10/22/10*

	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2001	Current Year Changes		Outstanding June 30, 2002
					Issued	Matured	
General Obligation Bonds Series 1996	1996	4-6% <i>5.1</i>	9,990,000	540,000	-	540,000	-
General Obligation Bonds Series 1998	1998	4.375%	2,000,000	2,000,000	-	1,615,000	385,000
General Obligation Bonds Series 2002	2002	.3%-4%	1,500,000	-	1,500,000	-	1,500,000
Total			<u>13,490,000</u>	<u>2,540,000</u>	<u>1,500,000</u>	<u>2,155,000</u>	<u>1,885,000</u>

The following is a five year maturity of debt service:

	Principal	Interest	Total
2002-2003	385,000	15,881	400,881
2003-2004	410,000	55,900	465,900
2004-2005	420,000	43,600	463,600
2005-2006	440,000	26,800	466,800
2006-2007	230,000	9,200	239,200
Totals	<u>1,885,000</u>	<u>151,381</u>	<u>2,036,381</u>

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Post-Employment Benefits:

The District has two early retirement policies available to all qualifying employees. Under policy GPCPA/GDPCA an employee may retire at age 62 and be paid 55% of the difference between the salary on step one, lane one of the current salary schedule and their current step and lane. In addition, the District will pay health and life insurance costs for the retiree until the person reaches age 65, at which point all benefits are terminated.

Under policy GPCAA a person is eligible for early retirement when they have accumulated 75 points (a combination of age and service) with at least 15 years of service. An annual pension equal to twenty-two percent (22%) of the employee's placement on the regular schedule, minus leeway, will be paid to the retiree for a maximum of five (5) years, or until the retiree reaches age 65. The District will also pay health and life insurance costs for five years or until the retiree reaches age 65. After the five year period, if the retiree has not reached age 65, he/she may purchase insurance through Public Employees Health Plan at group rates.

In addition, qualifying employees will receive reimbursement of unused sick leave according to the formula of fifty percent (50%) of the daily rate for certified substitutes up to a maximum of 180 days. All benefits terminate the month following the death of the retiree. The District is obligated to pay 100% of the benefits costs under the early retirement programs and funds both programs with current revenues.

Eleven new employees elected the early retirement and entered into the District's plans and seven terminated benefits during the 2002 fiscal year. The number of participants at year end was 36. The District recorded \$321,481.76 of expenditures during the fiscal year. The District has a liability of \$1,298,933.46 as of June 30, 2002, to provide benefits to these retirees in future years.

The following is a five year summary of benefits payable:

	Benefits Payable
2003	401,943.51
2004	311,581.67
2005	264,801.00
2006	209,539.30
2007	111,067.98
Total	1,298,933.46

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Compensated Absences:

Compensated absences of Emery County School District in the general long-term debt account group represent accrued vacation and sick leave at June 30, 2002, in the amount of \$339,409.

The following is a summary of changes in General Long-Term Debt:

	Balance <u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>
General Obligation Bonds - 1996	540,000	-	540,000	-
General Obligation Bonds - 1998	2,000,000	-	1,615,000	385,000
General Obligation Bonds - 2002	-	1,500,000	-	1,500,000
Retirement Benefits	962,933	336,000	-	1,298,933
Compensated Absences	<u>315,810</u>	<u>23,599</u>	<u>-</u>	<u>339,409</u>
Totals	<u><u>3,818,743</u></u>	<u><u>1,859,599</u></u>	<u><u>2,155,000</u></u>	<u><u>3,523,342</u></u>

NOTE 7 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Emery County School District contributes to the Local Governmental Contributory Retirement System and the Local Governmental Noncontributory Retirement System both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. 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.

**EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2002

NOTE 7 - PENSION PLAN (CONTINUED)

Plan members are required to contribute a percent of their covered salary (all or part may be paid by employer) to the respective systems to which they belong; 6.00% to the Contributory System. Emery County School District is required to contribute a percent of covered salary to the following systems; 5.91% to the Contributory System and 10.40% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Emery County School District contributions to the various systems for the years ending June 30, 2002, 2001 and 2000 respectively were; for the Contributory System, \$16,820.70, \$20,148.92 and \$20,102.49; for the Noncontributory System, \$1,085,080.71, \$1,355,798.48 and \$1,394,376.62 respectively. The contributions were equal to the required contributions for each year.

NOTE 8 - RISK MANAGEMENT

Emery County School 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 Risk Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsures 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.

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

**EMERY COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

June 30, 2002

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Non K-12</u>	<u>School Lunch</u>	
ASSETS			
Cash	177,104	105,938	283,042
Accounts Receivable:			
Local Sources:			
Other	1,899	-	1,899
State Sources	8,445	25,559	34,004
Federal Sources	16,757	-	16,757
Inventories	-	56,563	56,563
	<u>204,205</u>	<u>188,060</u>	<u>392,265</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	1,825	-	1,825
Accrued Wages Payable	40,467	34,742	75,209
Deferred Revenue	-	11,940	11,940
	<u>42,292</u>	<u>46,682</u>	<u>88,974</u>
Fund Balance:			
Reserved for Inventories	-	44,622	44,622
Reserved for Programs	41,803	-	41,803
Unreserved:			
Undesignated	120,110	96,756	216,866
	<u>161,913</u>	<u>141,378</u>	<u>303,291</u>
	<u>204,205</u>	<u>188,060</u>	<u>392,265</u>

**EMERY COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND TYPE**

For The Fiscal Year Ended June 30, 2002

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>Non K-12 Fund</u>	<u>School Lunch Fund</u>	<u>Memorandum Only</u>
REVENUE:			
Local Sources:			
Property Taxes	495,967	-	495,967
Other	13,086	252,653	265,739
State Sources	259,731	90,434	350,165
Federal Sources	<u>30,001</u>	<u>456,000</u>	<u>486,001</u>
TOTAL REVENUE	<u>798,785</u>	<u>799,087</u>	<u>1,597,872</u>
EXPENDITURES:			
Instruction	233,961	-	233,961
Support Services:			
Instructional Staff	12,223	-	12,223
Non-Instructional Services:			
Food Services	-	782,947	782,947
Other Services	<u>484,794</u>	<u>-</u>	<u>484,794</u>
TOTAL EXPENDITURES	<u>730,978</u>	<u>782,947</u>	<u>1,513,925</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	67,807	16,140	83,947
FUND BALANCE - BEGINNING OF YEAR	<u>94,106</u>	<u>125,238</u>	<u>219,344</u>
FUND BALANCE - END OF YEAR	<u><u>161,913</u></u>	<u><u>141,378</u></u>	<u><u>303,291</u></u>

<u>School Lunch Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
-	-	-	501,486	495,967	(5,519)
252,500	252,653	153	263,705	265,739	2,034
57,760	90,434	32,674	317,635	350,165	32,530
411,250	456,000	44,750	441,251	486,001	44,750
-	-	-	17,825	-	(17,825)
<u>721,510</u>	<u>799,087</u>	<u>77,577</u>	<u>1,541,902</u>	<u>1,597,872</u>	<u>55,970</u>
-	-	-	267,394	233,961	33,433
-	-	-	12,611	12,223	388
721,510	782,947	(61,437)	721,510	782,947	(61,437)
-	-	-	540,387	484,794	55,593
<u>721,510</u>	<u>782,947</u>	<u>(61,437)</u>	<u>1,541,902</u>	<u>1,513,925</u>	<u>27,977</u>
<u>-</u>	16,140	<u>16,140</u>	<u>-</u>	83,947	<u>83,947</u>
	<u>125,238</u>			<u>219,344</u>	
	<u>141,378</u>			<u>303,291</u>	

**EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For The Fiscal Year Ended June 30, 2002

	<u>Balance</u> <u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
SCHOOL FUND ACCOUNTS				
ASSETS				
Cash	<u>277,420</u>	<u>892,642</u>	<u>894,076</u>	<u>275,986</u>
LIABILITIES				
Due to Student Groups:				
Emery High School	89,941	305,070	309,327	85,684
Green River High School	23,498	87,055	89,032	21,521
San Rafael Jr. High School	23,299	127,207	123,109	27,397
Canyon View Jr. High School	31,527	96,116	104,431	23,212
Huntington Elementary	12,625	57,862	58,480	12,007
Cleveland Elementary	10,800	34,759	31,588	13,971
Ferron Elementary	22,970	55,542	48,440	30,072
Castle Dale Elementary	10,611	39,132	44,709	5,034
Cottonwood Elementary	24,265	56,221	48,210	32,276
Book Cliff Elementary	<u>27,884</u>	<u>33,678</u>	<u>36,750</u>	<u>24,812</u>
TOTAL LIABILITIES	<u>277,420</u>	<u>892,642</u>	<u>894,076</u>	<u>275,986</u>
DUE TO OTHER SCHOOLS				
ASSETS				
Cash	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
LIABILITIES				
Due to Other Schools	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	<u>297,420</u>	<u>892,642</u>	<u>914,076</u>	<u>275,986</u>
LIABILITIES				
Due to Student Groups	<u>277,420</u>	<u>892,642</u>	<u>894,076</u>	<u>275,986</u>
Due to Other Schools	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>297,420</u>	<u>892,642</u>	<u>914,076</u>	<u>275,986</u>

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

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

We have audited the financial statements of Emery County School District as and for the year ended June 30, 2002, and have issued our report thereon dated September 11, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to the management of the Emery County School District in a separate letter dated September 11, 2002.

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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

However, we noted another matter involving the internal control over financial reporting that we have reported to the management of Emery County School District in a separate letter dated September 11, 2002.

This report is intended solely for the information and use of the audit committee, management, 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. However, this report is a matter of public record and its distribution is not limited.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 11, 2002
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, 2002. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State and 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, 2002.

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 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.

This report is intended solely for the information and use of the audit committee, management, 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. However, this report is a matter of public record and its distribution is not limited.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 11, 2002
Richfield, Utah

**EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the comprehensive annual 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: Special Education - Grants to States and Preschool Grants, Cluster - CFDA 84.027 and 84.173; and Title I Grants to Local Educational Agencies, CFDA 84.010.
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, 2002

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Thru Grantor's Number</u>	<u>Disbursement/ Expenditures</u>
Direct Assistance:			
Department of Education:			
Impact Aid - PL 81-874	84.041	N/A	26,331
Total Department of Education			26,331
Total Direct Assistance			26,331
Indirect Assistance:			
Department of Agriculture:			
Pass Thru State Department of Education:			
Food Distribution - Commodities	10.550	N/A	65,408
Federal School Lunch - Lunch Reimbursement	10.555	00-42-25	54,545
Federal School Lunch - Free & Reduced Price	10.555	00-43-25	253,772
Federal School Lunch - Breakfast Program	10.553	00-44-25	82,275
Pass Thru Emery County:			
Forest Reserve	10.665	N/A	9,626
Total Department of Agriculture			465,626
Department of Labor			
Pass Thru State Department of Education:			
School To Work USDDL	17.249	01-22	966
Total Department of Labor			966

(Continued)

**EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2002

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Thru Grantor's Number</u>	<u>Disbursement/ Expenditures</u>
Department of Education:			
Pass Thru State Department of Education:			
Title I - ESEA Flow Through	84.010	02-08	226,844
IDEA Preschool Flow Through	84.173	02-52	30,001
Drug-Free Schools	84.186	02-09	9,528
Title II Part A Math & Science	84.281	01-16	11,451
Class Size Reduction	84.340	02-05	78,118
IDEA Part B Flow Through	84.027	02-19	387,678
Fed VoEd Carl Perkins	84.048	02-21	47,803
Fed VoEd Tech Prep	84.348	00-26	5,574
Fed VoEd Tech Prep	84.348	01-26	6,063
Fed Emergency Immigrant	84.162	02-57	4,954
Title VI	84.298	02-91	11,476
Title VI	84.298	01-91	5,111
Fed Tech Literacy Challenge	84.318	01-07	474
Fed Tech Literacy Challenge	84.318	02-07	24,457
Fed Improvement of Education	84.323	02-29	<u>24,919</u>
Total Department of Education			<u>874,451</u>
Corporation for National Community Services:			
Pass Thru State Department of Education:			
Service Learning	93.001	02-53	<u>1,700</u>
Total Corporation for National Community Services			<u>1,700</u>
Total Indirect Assistance			<u>1,342,743</u>
Total Assistance			<u><u>1,369,074</u></u>

**EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2002

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Expenditures of Federal Awards 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 general purpose 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 Expenditures of Federal Awards as 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 Expenditures of Federal Awards 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 general purpose 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 2001 - 2002 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. Ending USDA inventory is reflected in the financial statements as deferred revenue.

NOTE C - ACCOUNTS RECEIVABLE

The general purpose financial statements include accounts receivable from federal programs. These receivables are accrued according to the same basis of accounting as the general purpose 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, 2002

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 general purpose financial statements of Emery County School District, for the year ended June 30, 2002, and have issued our report thereon dated September 11, 2002. 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, 2002. 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):

Arts Education (State Office of Education)
Drivers Education (State Office of Education)
Staff Development (State Office of Education)
Technology Implementation (State Office of Education)
UPASS (State Office of Education)
Substance Abuse (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 generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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, 2002.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 11, 2002
Richfield, Utah