EMERY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS
(WITH AUDITOR'S REPORTS)

FOR THE YEAR ENDED JUNE 30, 1999

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Emery County School District
Huntington, UT

October 15, 1999

We have audited the accompanying general purpose financial statements as listed in the Table of Contents of the Emery County School District as of June 30, 1999, and for the year then ended. These general purpose financial statements are the responsibility of Emery County School District. Our responsibility is to express an opinion on these general purpose financial statements 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 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 as of June 30, 1999 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. 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 of Emery County School District. 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.

The year 2000 supplementary information on page 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Emery County School District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Emery County School District does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 1999 on our consideration of Emery County School District's internal control structure over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

GILBERT & STEWART
Certified Public Accountants

EMERY COUNTY SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1999

	Governmental Types			Fiduciary Types	Account Groups		Totals
	General	Special Revenue	Capital Projects	Agency	General Fixed Assets	General Long-Term Debt	(Memo Only)
ASSETS							
Cash And Investments	$2,650,244	$0	$763,634	$288,154	$0	$0	$3,702,032
Receivables							
Local Sources							
Property Taxes	27,525	5,173	40,130				72,828
Other			26,109				26,109
State Sources	6,480	28,620					35,100
Federal Sources	272,192	22,647					294,839
Due from Other Funds	567,269						567,269
Inventories		109,973	1,130				111,103
Building Sites					4,487,396		4,487,396
Buildings					50,378,493		50,378,493
Furniture and Equipment					5,362,462		5,362,462
Vehicles					2,207,985		2,207,985
Amount to be Provided for Retirement of General Long-Term Debt						7,295,360	7,295,360
Total Assets	$3,523,710	$166,413	$831,003	$288,154	$62,436,336	$7,295,360	$74,540,976
LIABILITIES & FUND BALANCE							
Liabilities							
Salaries Payable	$1,851,928	$0	$0	$0	$0	$0	$1,851,928
Accounts Payable	63,602	178	28,350				92,130
Due to Other Funds		567,269					567,269
Due to Other Groups				288,154			288,154
Deferred Revenue		23,456					23,456
General Obligation Bond Payable						6,580,000	6,580,000
Post-Retirement Benefits Payable						715,360	715,360
Total Liabilities	1,915,530	590,903	28,350	288,154	0	7,295,360	10,118,297
Fund Balance							
Reserved							
Investment in General Fixed Assets					62,436,336		62,436,336
Reserved for Inventories		86,517					86,517
Reserved for Commitments	224,968						224,968
Reserved for Programs	46,380						46,380
Unreserved Fund Balance	1,336,832	(511,007)	802,653				1,628,478
Total Fund Balance	1,608,180	(424,490)	802,653	0	62,436,336	0	64,422,679
Total Liabilities & Fund Balance	$3,523,710	$166,413	$831,003	$288,154	$62,436,336	$7,295,360	$74,540,976

See accompanying notes.

EMERY COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenue					
Local Sources					
Property Taxes	$3,649,041	$685,716	$2,339,251	$2,980,747	$9,654,755
Interest	358,426				358,426
Other	170,373	326,742		7,497	504,612
State Sources	8,792,595	238,697			9,031,292
Federal Sources	673,515	417,367			1,090,882
Total Revenue	13,643,950	1,668,522	2,339,251	2,988,244	20,639,967
Expenditures					
Instruction	10,800,038			391,324	11,191,362
Support Services					
Students	386,395				386,395
Instructional Staff	331,282			43,240	374,522
District General Administration	209,701				209,701
School Administration	1,250,492			3,450	1,253,942
Business	188,280			24,500	212,780
Operation & Maintenance of Plant	16,072			728,720	744,792
Student Transportation	739,643				739,643
Non-Instructional Services					
Food Service		869,074			869,074
Other Servies		839,579			839,579
Facilities Acquisition & Construction Service				3,827,140	3,827,140
Debt Service					
Principal			1,875,000		1,875,000
Interest and Fiscal Charges			390,535		390,535
Property Tax Refund	111,340	20,923	73,716	88,608	294,587
Total Expenditures	14,033,243	1,729,576	2,339,251	5,106,982	23,209,052
Excess (Deficiency) of Revenue Over Expenditures	(389,293)	(61,054)	0	(2,118,738)	(2,569,085)
Other Financing Sources (Uses)					
Tax Anticapation Bonds	2,300,000				2,300,000
Tax Anticapation Bonds	(2,300,000)				(2,300,000)
Excess (Deficiency) of Revenue & Other Sources Over Expenditures & Other Uses	(389,293)	(61,054)	0	(2,118,738)	(2,569,085)
Fund Balance - July 1, 1998	1,997,473	(363,436)		2,921,391	4,555,428
Fund Balance - June 30, 1999	$1,608,180	($424,490)	$0	$802,653	$1,986,343

See accompanying notes.

EMERY COUNTY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Fund Types			Debt Service			Capital Projects Fund			Totals (Memorandum Only)		
Revenue	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Local Sources															
Property Taxes	$3,649,041	$3,649,041	$0	$685,716	$685,716	$0	$2,339,251	$2,339,251	$0	$2,980,747	$2,980,747	$0	$9,654,755	$9,654,755	$0
Interest	358,426	358,426											358,426	358,426	
Other	170,373	170,373		326,742	326,742					7,497	7,497		504,612	504,612	
State Sources	8,792,595	8,792,595		238,697	238,697								9,031,292	9,031,292	
Federal Sources	673,515	673,515		417,367	417,367								1,090,882	1,090,882	
Total Revenue	13,643,950	13,643,950	0	1,668,522	1,668,522	0	2,339,251	2,339,251	0	2,988,244	2,988,244	0	20,639,967	20,639,967	0
Expenditures															
Instruction	10,800,038	10,800,038								391,324	391,324		11,191,362	11,191,362	
Support Services															
Students	386,395	386,395											386,395	386,395	
Instructional Staff	331,282	331,282								43,240	43,240		374,522	374,522	
District General Administration	209,701	209,701											209,701	209,701	
School Administration	1,250,492	1,250,492								3,450	3,450		1,253,942	1,253,942	
Business	188,280	188,280								24,500	24,500		212,780	212,780	
Operation & Maintenance of Plant	16,072	16,072								728,720	728,720		744,792	744,792	
Student Transportation	739,643	739,643											739,643	739,643	
Non-Instructional Services															
Food Services				869,074	869,074								869,074	869,074	
Other Service				839,579	839,579										
Facilities Acquisition & Construction										3,827,140	3,827,140		3,827,140	3,827,140	
Debt Service															
Principal							1,875,000	1,875,000							
Interest & Fiscal Charges							390,535	390,535					390,535	390,535	
Property Tax Refund	111,340	111,340		20,923	20,923		73,716	73,716		88,608	88,608		294,587	294,587	
Total Expenditures	14,033,243	14,033,243	0	1,729,576	1,729,576	0	2,339,251	2,339,251	0	5,106,982	5,106,982	0	23,209,052	23,209,052	0
Excess (Deficiency) of Revenue Over Expenditures	(389,293)	(389,293)		(61,054)	(61,054)					(2,118,738)	(2,118,738)		(2,569,085)	(2,569,085)	
Other Financing Sources (Uses)															
Tax Anticapation Bonds	2,300,000	2,300,000											2,300,000	2,300,000	
Tax Anticapation Bonds	(2,300,000)	(2,300,000)											(2,300,000)	(2,300,000)	
Excess (Deficiency) of Revenue & Other Sources Over Expenditures & Other Uses	($389,293)	(389,293)	$0	($61,054)	(61,054)	$0	$0	0	$0	($2,118,738)	(2,118,738)	$0	($2,569,085)	(2,569,085)	$0
Fund Balance - July 1, 1998		1,997,473			(363,436)						2,921,391			4,555,428	
Fund Balance - June 30, 1999		$1,608,180			($424,490)			$0			$802,653			$1,986,343	

See accompanying notes.

EMERY COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Emery County School District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements by type:

Governmental Funds

General Fund - The General Fund (Maintenance and Operation Fund) is the general operating fund of the District. It is used to account for all financial sources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are generally restricted to expenditures for specific purposes. 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.

Capital Projects Fund - A Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund - A 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.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the District as an agent 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

Fixed Assets - Property and equipment used in Governmental Fund type operation (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 Governmental Funds.

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.

Long-Term Liabilities - 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.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds and expendable agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Material revenues in the following categories are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period.

Property Taxes
Intergovernment Revenues and Grants
Rents and Concessions
Payment in Lieu of Property Taxes

Expenditures are generally recognized when the related liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on long-term debt, which is recognized when due.

Inventory is U.S. Department of Agriculture commodities on hand at year end. It is reported on the balance sheet at fair market value with an offsetting deferred revenue. Commodities used during the year are reported as revenue and expenditures on the operating statement.

Deferred revenue is comprised of revenue received but restricted for use when the categorical program revenue is earned.

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

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.

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, post-retirement commitments, and educational programs. These accounts are used to segregate a portion of the fund balance.

Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns is not intended to and does not present financial position in conformity with generally accepted accounting principles, neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Budgetary Data - 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 1st. This budget includes proposed expenditures and the means of financing them. Included also is the final amended budget for the current year ending June 30th.

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 15th 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 unforseen 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.

2. CASH AND CASH EQUIVALENTS

Cash consists of checking accounts, construction escrow account and savings deposited with the Utah State Public Treasurer's Investment Fund. The government fund types combine their resources to form a pool of cash which enables the District to manage cash effectively. Interest earned on the pooled cash is allocated to the individual funds based on their respective share of the pooled monies. Monies held in escrow for building construction have been restricted to the construction of its project.

The District follows the requirements of the Utah Money Management Act in handling its depository and temporary investment transactions. This law requires the depositing of District funds 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.

The District's cash is summarized below showing the individual funds' respective share of the pooled cash, and then categorized by risk assumed by the District. Category 1 includes cash or investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

The District carrying amount of demand deposits is ($312,127) (net of $653,389 outstanding checks) and the bank balance is $341,262 of which $341,262 is covered by Federal Depository Insurance.

	Risk Assumed Category		Market Value	Carrying Amount
	1	3		
Demand Deposits	$341,262	$	$ 341,262	($ 312,127)
Repurchase Agreements		545,868	545,868	545,868
Total	$341,262	$545,868		
State Treasurer's Investment Fund			3,468,291	3,468,291
			$4,355,421	$3,702,032

3. INVENTORY

These accounts represent supplies and material 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.

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, 1999 are based on the collections in the fiscal year of taxes assessed prior to June 30, 1999. These taxes are collected by Emery County and remitted to the District throughout the fiscal year.

5. GENERAL FIXED ASSETS

The general fixed assets of the District have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and are capitalized at cost in the General Fixed Assets account group.

No depreciation has been recognized on General Fixed Assets.

CHANGES IN GENERAL FIXED ASSETS

	Balance 7/01/98	Additions	Deletions	Balance 6/30/99
Sites	$ 4,000,759	$ 486,637	$	$ 4,487,396
Buildings	48,186,291	3,226,638		51,412,929
Equipment & Furniture	5,350,883	11,579		5,362,462
Vehicles	2,105,699	102,286		2,207,985
Total	$59,643,632	$3,827,140	$ 0	$63,470,772

6. RETIREMENT PLAN

Plan Description. The Emery County School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans 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 includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement 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.

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and Emery County School District School District is required to contribute 9.67% of their annual covered salary. In the State and School Noncontributory Retirement System the Emery County School District School District is required to contribute 14.160% of their annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Emery County School District contributions to the State and School Contributory Retirement System for the years ending June 30, 1999, 1998 and 1997 were $19,249.32, $23,599.72 and $26,759.52 respectively and for the Noncontributory Retirement System the Contributions for June 30, 1999, 1998 and 1997 were $1,266,888.50, $1,415,787.29 and $1,360,308.84 respectively. The contributions were equal to the required contributions for each year.

The District also contributes 1.5% of the salaries subject to the Non-Contributory Retirement System to a Section 401(K) Plan.

401K Contributions for years ending June 30, were as follows:

	1999	1998	1997
Employee Contributions	$248,148.88	$261,684.01	$233,580.03
Employer for Employee Contributions	137,204.64	152,547.49	147,644.56

7. LONG-TERM DEBT

General Obligation School Building Bonds - Series 1996
Interest Payable December 15 and June 15

Year Ending June 30	Interest Payable	Bonds Payable	Total
2000	$ 208,185	$1,975,000	$2,183,185
2001	123,260	2,065,000	2,188,260
2002	32.400	540.000	572.400
Total	363.845	4,580,000	4.943.845
Current Portion		1.975.000	
Long-Term Portion		$2.605.000	

General Obligation School Building Bonds - Series 1998
Interest Payable June 15 and December 15

Year Ending June 30	Interest Payable	Bonds Payable	Total
2000	$ 81,193	$	$ 81,193
2001	81,193		81,193
2002	81,193	1,615,000	1,696,193
2003	15,785	385,000	400,785
Total	$259,364	$2,000,000	$2,259,364

Post-Retirement Benefits

Under District policy teachers are compensated for post retirement. They receive post-employment benefits up to 15 years after retirement.

Year Ended June 30	Benefits Payable
2000	$224,968
2001	200,037
2002	152,265
2003	79,576
2004-2005	58,514
	715,360
Current Portion	224,968
Long-Term Portion	$490,392

Debt Repayment Requirements

The annual requirements to amortize all bonded debt, property tax refunds and retirement benefits outstanding June 30, 1999, including interest, are as follows:

Year Ending June 30	General Obligations Bonds	Retirement Benefits	Total
2000	$2,264,378	$ 224,968	$2,489,346
2001	2,269,453	200,037	2,469,490
2002	2,268,593	152,265	2,420,858
2003	400,785	79,576	480,361
2004-2005	0	58,514	58,514
	$7,203,209	$715,360	$7,918,569

Debt Payment Requirement
Summary of Changes in Long-Term Debt

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
General Obligation Bonds	$8,455,000	$	$1,875,000	$6,580,000
Early Retirement Benefits	504,849	418,473	207,692	715,630
	$8,959,849	$418,473	$2,082,692	$7,295,630

8. FUND BALANCES

The following funds have a deficit fund balance as of June 30, 1999:

School Lunch Fund	$430,007

9. GRANTS

The School District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors. Any disallowed claims resulting from such audits could become a liability of the Maintenance and Operation Fund or other applicable funds. Based on prior experience, the District Administration believes such disallowance, if any, will be immaterial.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural 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 past three fiscal years.

SUPPLEMENTARY INFORMATION

REQUIRED YEAR 2000 DISCLOSURES

Emery County School District has many electronic data processing systems, applications, and equipment that are used to deliver educational services to the public and internally. Many electronic data processing systems and equipment have shortcomings related to the year 2000 that may adversely affect their operations. Some programs, if not corrected, may not properly recognize the year 2000. Other programs may not recognize that the year 2000 is a leap year. These problems may cause the systems, applications, or equipment to process data inaccurately or to stop processing data altogether.

The following stages have been identified as necessary to address the year 2000 issue:

- Awareness Stage - Encompasses establishing a budget and project plan for dealing with the year 2000 issue.

- Assessment Stage - When the organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems.

- Remediation Stage - When the organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems.

- Validation/Testing Stage - When the organization validates and tests the changes made during the conversion process.

Emery County School District is in the process of validating and testing the computer hardware and programs used in the educational services and accounting systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Emery County School District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom Emery County School District does business will be year 2000 ready.

EMERY COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 1999

	Non K-12	School Lunch	Total
ASSETS			
Cash	$0	$0	$0
Accounts Receivable			
Local Sources			
Property Taxes	5,173		5,173
Other			0
State Sources		28,620	28,620
Federal Sources	22,647		22,647
Inventories		109,973	109,973
Total Assets	$27,820	$138,593	$166,413
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$73	$105	$178
Deferred Revenue		23,456	23,456
Due to Other Funds	22,230	545,039	567,269
Total Liabilities	22,303	568,600	590,903
Fund Balance			
Reserve for Inventory		86,517	86,517
Undesignated	5,517	(516,524)	(511,007)
Total Fund Balance	5,517	(430,007)	(424,490)
Total Liabilities & Fund Balance	$27,820	$138,593	$166,413

EMERY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUE, EXPENDITURES &
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 1999

	Non K-12	School Lunch	Total
Revenue			
Local Sources			
Property Taxes	$685,716	$0	$685,716
Other	410	326,332	326,742
State Sources	144,204	94,493	238,697
Federal Sources	34,969	382,398	417,367
Total Revenue	865,299	803,223	1,668,522
Expenditures			
Non-Instructional Services			
Food Service		869,074	869,074
Other Services	839,579		839,579
Property Tax Refund	20,923		20,923
Total Expenditures	860,502	869,074	1,729,576
Excess (Deficiency) of Revenue Over Expenditures	4,797	(65,851)	(61,054)
Fund Balance - July 1, 1998	720	(364,156)	(363,436)
Fund Balance - June 30, 1999	$5,517	($430,007)	($424,490)

EMERY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS - BUDGET & ACTUAL

YEAR ENDED JUNE 30, 1999

	Non K-12 Fund			School Lunch Fund			Totals		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue									
Local Sources									
Property Taxes	$685,716	$685,716	$0	$0	$0	$0	$685,716	$685,716	$0
Other	410	410		326,332	326,332		326,742	326,742	
State Sources	144,204	144,204		94,493	94,493		238,697	238,697	
Federal Sources	34,969	34,969		382,398	382,398		417,367	417,367	
Total Revenue	865,299	865,299	0	803,223	803,223	0	1,668,522	1,668,522	0
Expenditures									
Non-Instructional Services									
Food Service				869,074	869,074		869,074	869,074	
Other Services	839,579	839,579							
Property Tax Refund	20,923	20,923					20,923	20,923	
Total Expenditures	860,502	860,502	0	869,074	869,074	0	889,997	889,997	0
Excess (Deficiency) of Revenue Over Expenditures	$4,797	4,797	$0	($65,851)	(65,851)	$0	($61,054)	(61,054)	$0
Fund Balance - July 1, 1998		720			(364,156)			(363,436)	
Fund Balance - June 30, 1999		$5,517			($430,007)			($424,490)	

EMERY COUNTY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS & LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 1999

ASSETS	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Cash	$288,160	$1,242,959	$1,242,965	$288,154
Total	$288,160	$1,242,959	$1,242,965	$288,154
LIABILITES				
Due to Students Group				
Emery County High School	$76,459	$453,568	$459,774	$70,253
Green River High School	38,935	95,563	104,900	29,598
San Rafael Junior High School	4,409	192,697	180,792	16,314
Canyon View Junior High School	66,669	126,887	140,401	53,155
Huntington Elementary	5,448	55,024	56,157	4,315
Cleveland Elementary	16,807	65,995	64,875	17,927
Ferron Elementary	42,678	96,794	90,690	48,782
Castle Dale Elementary	6,058	62,297	55,183	13,172
Cottonwood Elementary	16,698	57,701	58,938	15,461
Bookcliff Elementary	13,999	36,433	31,255	19,177
Due Students Groups	$288,160	$1,242,959	$1,242,965	$288,154

SUPPLEMENTARY REPORTS

EMERY COUNTY SCHOOL DISTRICT

EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements or Expenditures
Corporation for National Community Services			
Passed Through State Department of Education			
Service Learning	94.004	97-53-8	$12,636
U.S. Department of Labor			
Passed Through Utah State Department of Education			
School to Work	17.249	98-22-12	20,166
School to Work	17.249	97-22-12	59,610
Total U.S. Department of Labor			79,776
U.S. Department of Education			
Direct Programs			
Impact Aid - PL 81-874	84.041		16,213
Passed Through Utah State Department of Education			
Adult Education	84.002	99-33-12	6,862
Title I - ESEA Flow Through	84.010A	97-10-05	4,705
Title I - ESEA Flow Through	84.010A	99-10-05	204,446
IDEA Preschool Flow Through	84.173A	99-52-05	28,108
IDEA - Part B 75% Flow Through	84.027A	99-19-05	216,399
Vo Ed Title II Part B - Carl Perkins Applied Tech	84.048	99-21-12	44,122
Fed. - Tech Literacy Challenge	84.318	98-07-03	25,459
Title VI School Flow Through	84.151Z	99-91-03	20,081
Title II Part A - Math & Science	84.168	98-16-03	4,058
Drug-Free Schools	84.186A	98-16-03	11,935
Drug-Free Schools	84.186A	98-16-03	12,806
Immigrant Education	84.162	98-57-05	27,340
Utah Com. Partnership for Character Development	84.215	99-14-03	10,000
Total U.S. Department of Education			632,534
U.S. Department of Health & Human Services			
Passed Through Department of Education			
Aids Education	93.938	99-06-03	500
U.S. Department of Agriculture			
Passed Through Utah State Department of Education			
Food Distribution - Commodities	10.555		67,884
Federal School Lunch - Lunch Reimbursement	10.555	97-50-25	1,800
Federal School Lunch - Lunch Reimbursement - Section 4	10.555	99-42-25	52,268
Federal School Lunch - Free & Reduced Price - Section 11	10.555	99-43-25	207,337
Federal School Lunch - Breakfast Program	10.553	99-44-25	53,109
Passed Through Emery County			
Forest Reserve	10.665		15,906
Total U. S. Department of Agriculture			398,304
TOTAL EXPENDITURES OF FEDERAL AWARDS			$1,123,750

EMERY COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of activities related to the District expenditure of Federal awards. The schedule has been prepared on the same basis of accounting as the general purpose financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of federal funds are made, revenue is recognized.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Ending inventory is reflected in the financial statements as deferred revenue. Ending inventory at June 30, 1999 is $23,456.

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 FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999

A. SUMMARY OF AUDIT RESULTS

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

2. No reportable conditions were disclosed during the audit of the financial statements.

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

4. No reportable conditions were disclosed during the audit of the major federal award programs.

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

6. Audit findings relative to the major Federal award programs for Emery County School District are reported in Part C. of this schedule.

7. The programs tested as major programs included: School Food Service Cluster including CFDA 10.555, and 10.553.

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

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 AWARD PROGRAMS

None

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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*

Board of Education
Emery County School District
Huntington, UT

October 15, 1999

We have audited the financial statements of Emery County School District as of and for the year ended June 30, 1999, and have issued our report thereon dated October 15, 1999. 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 certain immaterial instances of noncompliance that we have reported to management of Emery County School District in a separate letter dated October 15, 1999.

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.

This report is intended solely for the information of management, State Office of Education, 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.

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Certified Public Accountant

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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

Board of Education
Emery County School District
Huntington, UT

October 15, 1999

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 and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 1999. 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 States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Emery County School district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Emery County School District's compliance with those requirements.

In our opinion, Emery County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of 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 of management, State Office of Education, 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.

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Board of Education
Emery County School District
Huntington, Utah

October 15, 1999

We have audited the general purpose financial statements of Emery County School District for the year ended June 30, 1999, and have issued our report thereon dated October 15, 1999. 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; 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, 1999. The District received the following major state assistance programs from the State of Utah:

Minimum School Programs (State Office of Education)

The District also received the following non-major 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 the Emery County School District's financial statements.)

State Liquor Control Tax-Child Nutrition (State Office of Education)
Arts Education (State Office of Education)
Substance Abuse (State Office of Education)
Drivers Education (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 the accompanying 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 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, 1999.

This report is intended solely for the information and use of management and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

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Board of Education
Emery County School District
Huntington, UT

October 15, 1999

Board Members:

We have completed our audit of the general purpose financial statements of Emery County School District for the year ended June 30, 1999 and have issued our report thereon dated October 15, 1999. We conducted our audit in accordance with generally accepted auditing standards. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on those statements based on our audit.

This letter is issued as required by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, which requires auditors to determine that certain matters related to the conduct of an audit are communicated to those who have responsibility for the oversight of the financial reporting process.

Significant Accounting Policies - The accounting policies used by the District for the year ended June 30, 1999 were consistent with those used in prior years.

Management's Judgments and Accounting Estimates - Management estimates the remaining useful life of property and equipment. Our tests on these estimates consisted of comparisons with prior years and discussions relating to future benefits to be derived from the related assets. Management's estimates were considered by us to be materially correct.

Significant Audit Adjustments - We made a substantial amount of closing and adjusting entries to the District's books. These entries included usual annual closing entries and entries to adjust revenues and expenditures. We will provide the District with these entries and any other assistance needed to adjust the District's account balances.

Utah State Compliance Findings

1. **Minimum School**
   Finding: The annual F-4 financial and program report for the fiscal year ended June 30, 1999 was filed after the due date.

Recommendation: We recommend the District make every effort to comply with the filing date requirements.

District Response: We concur with the auditor's recommendation and will strive to comply with the law.

2. Other

Finding: The School Lunch Fund has a deficit fund balance as of June 30, 1999.

Recommendation: We recommend the District take appropriate means to comply with State law.

District Response: We concur with the auditor's recommendation.

3. Separation of Duties

Finding: Internal control procedures require that functions dealing with the control of assets and the function dealing with the accounting of assets such as cash, not be performed by the same individual. The receiving of cash, disbursing of funds, and the reconciling of the bank accounts should be separated where possible. Where this is not possible, because of staff limitation, these functions should be reviewed by a responsible official.

Recommendation: We recommend the receipting and recording of cash be reviewed by a member of the Board of Trustees.

District's Response: Where separation of duties is not possible because of staff limitations, such as the receipting and the recording of cash, the function will be reviewed by a member of the Board of Trustees.

4. Cash Management

Finding: During our examination, we noticed some of the cash receipts were not deposited within three days.

Recommendation: All public funds collected should be deposited within three days, preferably daily.

District Response: We concur with the recommendation.

Other Matters

One of the issues concerning the upcoming reporting model requirement is the fixed assets identification for depreciation purposes. We recommend the District begin planning to have this information in place by identifying the assets and their location. This would also help the person responsible for the asset in periodically taking a physical inventory to control its use and disposition.

We wish to express our appreciation to the District personnel for the friendly and enthusiastic help extended to us during the course of our examination.

Sincerely,

GILBERT & STEWART
Certified Public Accountants