

PIUTE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

PIUTE COUNTY SCHOOL DISTRICT
Table of Contents
Year Ended June 30, 2011

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
Notes to the Financial Statements	18-35
Required Supplementary Information:	
Schedule of Funding Progress for Separation Payments Plan	37
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	40

PIUTE COUNTY SCHOOL DISTRICT
Table of Contents
Year Ended June 30, 2011

	Page
<hr/>	
FINANCIAL SECTION (Continued)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Lunch – Nonmajor Special Revenue Fund	41
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Non K-12 Programs – Nonmajor Special Revenue Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Student Activity Fund – Nonmajor Special Revenue Fund	43
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Municipal Building Authority – Nonmajor Special Revenue Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Scholarship Fund – Nonmajor Special Revenue Fund	45
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund – Major Debt Service Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Capital Projects Fund	48



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Piute County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piute County School District (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Piute County School District as of June 30, 2011, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



GILBERT & STEWART, CPA'S

November 22, 2011

PIUTE COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Piute County School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the *statement of net assets* and the *statement of activities*.

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

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 11 through 12 of this report.

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

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

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

The basic governmental fund statements can be found on pages 13 to 17 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for other groups. Currently the District does not use this fund.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 18 to 35 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 37 to 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,508,793 at June 30, 2011. Below is a summary of the District's assets, liabilities, and net assets.

PIUTE COUNTY SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities	
	2011	2010
Current and other assets	\$ 4,721,030	\$ 8,451,224
Capital assets	7,975,528	3,456,101
Total assets	<u>\$ 12,696,558</u>	<u>\$ 11,907,325</u>
Current and other liabilities	\$ 1,420,860	\$ 1,293,862
Noncurrent liabilities	5,766,904	5,790,088
	<u>7,187,764</u>	<u>7,083,950</u>
Net Assets:		
Invested in capital assets net of related debt	2,405,169	2,495,402
Restricted	1,394,819	752,082
Unrestricted	1,708,805	1,575,890
	<u>\$ 5,508,793</u>	<u>\$ 4,823,374</u>

The largest portion of the District's net assets (44%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets (26%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets (30%) may be used to meet the District's ongoing obligations to students, employees, and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

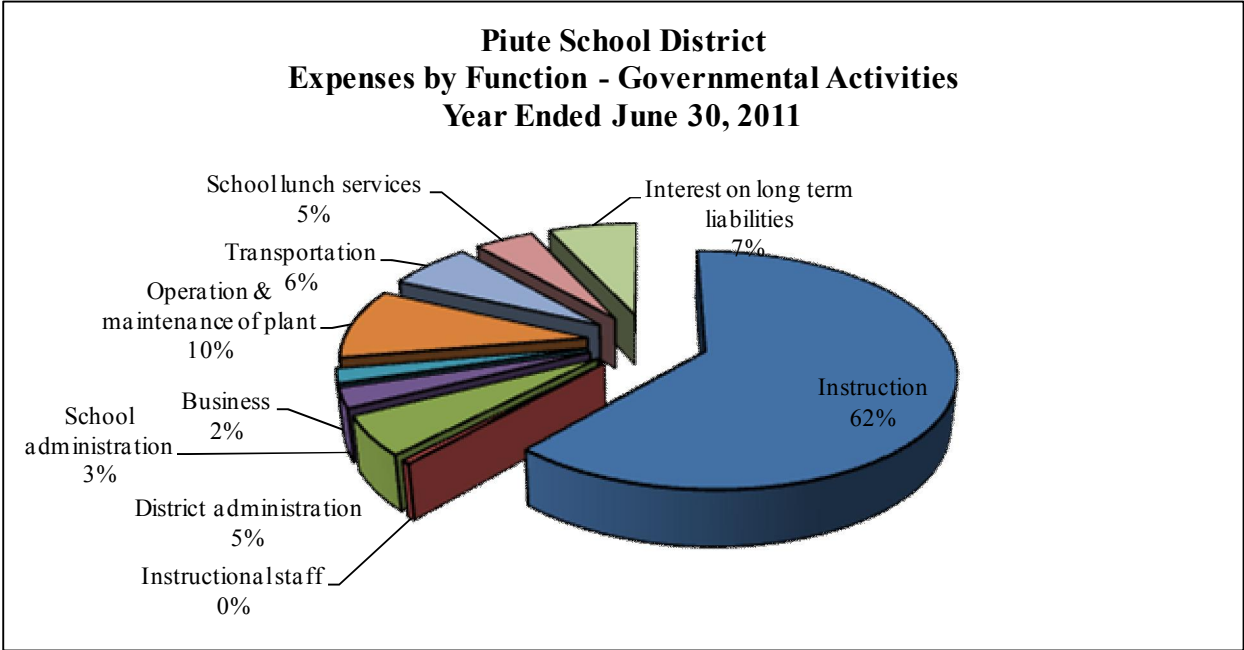
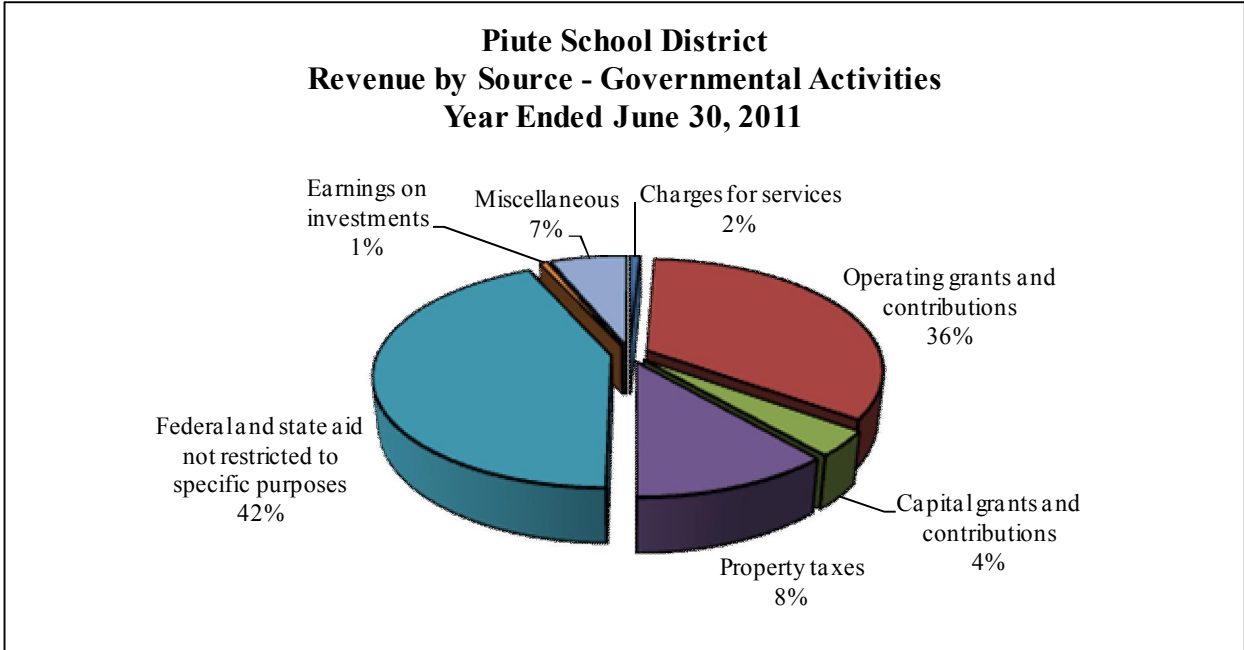
- Committed to Undistributed Reserve

As allowed by law, the District has established an *undistributed reserve* of \$175,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating.

As of June 30, 2011, the District is able to report positive balances in all three categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

PIUTE COUNTY SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 43,486	\$ 93,247
Operating grants and contributions	1,864,248	1,972,303
Capital grants and contributions	200,000	202,265
General Revenues:		
Property taxes	628,253	366,574
Federal and state aid not restricted to specific purposes	2,352,156	1,987,597
Earnings on investments	35,951	23,394
Miscellaneous	339,698	293,948
Total revenues	<u>5,463,792</u>	<u>4,939,328</u>
Expenses:		
Instruction	2,945,445	3,053,980
Support services:		
Students	-	-
Instructional staff	25,191	23,326
District administration	258,386	250,833
School administration	128,114	126,846
Business	94,847	86,274
Operation & maintenance of plant	465,523	441,213
Transportation	311,874	294,580
School lunch services	220,809	211,475
Interest on long term liabilities	328,184	45,150
Total expenses	<u>4,778,373</u>	<u>4,533,677</u>
Changes in net assets	685,419	405,651
Net assets, beginning	<u>4,823,374</u>	<u>4,417,723</u>
Net assets, ending	<u>\$ 5,508,793</u>	<u>\$ 4,823,374</u>



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund

balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The *general fund* is the chief operating fund of the District. At June 30, 2011, unassigned fund balance was \$1,481,925 while the total fund balance was \$1,754,619. The unassigned fund balance increased by \$55,848 while the total fund balance also increased by \$153,542 during the fiscal year. Annual expenditures in the general fund were \$45,857 less than the final budgeted amounts, and resources available for appropriation were \$212,968 less than final budgeted amounts.

The *capital projects fund* has a total fund balance of \$539,825, of which \$539,825 is restricted for acquisition of capital assets and related expenditures. The fund balance decreased by \$4,354,317 during the fiscal year. This decrease is a result of use of bond proceeds received in a prior year to remodel and expand the high school.

The *debt service fund* has a total fund balance of \$579,506, all of which is reserved for the payment of debt service. The fund balance increased by \$282,951 during the fiscal year.

The *non K-12 programs special revenue fund* has a total fund balance of \$112,801. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs and other community programs. The fund balance decreased by \$23,115 during the fiscal year.

The *school lunch special revenue fund* has a total fund balance of \$4,176. This balance is within the total allowed by state guidelines and is restricted to food service programs. The fund balance increased by \$157 during the fiscal year.

The *student activity special revenue fund* has a total fund balance of \$86,866. This balance is within the total allowed by state guidelines and is restricted for student activity and other programs at the school level. The fund balance increased during the year by \$16,595.

The *scholarship fund* has a total fund balance of \$60,029. This balance increased during the year by \$19,483.

The municipal building authority special revenue fund has an ending fund balance of \$62,690. The fund balance increased during the year by \$62,690.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

The primary class of capital assets used by the District to provide educational services to the public is school buildings. The District continually evaluates the cost efficiency of its buildings as part of its on-going capital improvements plan.

Capital assets at June 30, 2011 are outlined below:

PIUTE COUNTY SCHOOL DISTRICT'S CAPITAL ASSETS (net of accumulated depreciation)

	2011	2010
Land	\$ 125,000	\$ 125,000
Construction in progress	5,355,821	695,797
Buildings & Improvements	1,888,495	1,969,790
Furniture and Equipment	606,212	665,514
	<u>\$ 7,975,528</u>	<u>\$ 3,456,101</u>

Debt Administration

The general obligation bond debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2011 was \$4,437,579 while the general obligation debt at that date was \$4,435,000 resulting in a legal debt margin of \$2,579. The general obligation bond debt increased by \$4,435,000 during the fiscal year as a result of issuance of bonds for construction and remodel of the high school. The District also created a municipal building authority and issued lease revenue bonds in the amount of \$1,060,000 also in connection with the construction and remodel of the high school.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Piute County School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Business Administrator, Piute County School District, County Courthouse, Junction, Utah 84740.

BASIC FINANCIAL STATEMENTS

PIUTE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets:	
Cash and investments	\$ 3,923,643
Receivables:	
Property taxes	567,498
Other governments	40,823
Prepaid Expenditures	35,344
Inventories	2,990
Bond issuance costs, net	150,732
Capital assets:	
Land and construction in progress	5,480,821
Other capital assets, net of accumulated depreciation	2,494,707
Total assets	12,696,558
Liabilities:	
Accounts payable	517,770
Accrued interest	51,074
Accrued salaries	260,022
Deferred revenue:	
Property taxes	567,498
Other governments	24,496
Noncurrent liabilities:	
Due within one year	16,580
Due in more than one year	5,750,324
Total liabilities	7,187,764
Net Assets:	
Invested in capital assets, net of related debt	2,405,169
Restricted for:	
School lunch	4,176
Non K-12 programs	112,801
Student activity fund	86,866
Scholarship fund	60,029
Debt service	591,122
Capital projects	539,825
Unrestricted	1,708,805
Total net assets	\$ 5,508,793

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

PIUTE COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 2,945,445	\$ 6,060	\$ 1,168,766	\$ 200,000	\$ (1,570,619)
Supporting services:					
Instructional staff	25,191	-	-	-	(25,191)
District administration	258,386	-	244,815	-	(13,571)
School administration	128,114	-	93,400	-	(34,714)
Business	94,847	-	-	-	(94,847)
Operation and maintenance of facilities	465,523	-	-	-	(465,523)
Transportation	311,874	-	200,799	-	(111,075)
School lunch services	220,809	37,426	156,468	-	(26,915)
Interest on long-term liabilities	328,184	-	-	-	(328,184)
Total school district	\$ 4,778,373	\$ 43,486	\$ 1,864,248	\$ 200,000	(2,670,639)
General revenues:					
Property taxes levied for:					
General purposes					201,296
Transportation					26,280
Debt service					284,790
Capital outlay					115,887
Federal and state aid not restricted to specific purposes					2,352,156
Earnings on investments					35,951
Miscellaneous					339,698
Total general revenues					3,356,058
Change in net assets					685,419
Net assets - beginning					4,823,374
Net assets - ending					\$ 5,508,793

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

PIUTE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
Assets:					
Cash and investments	\$ 2,134,587	\$ 579,506	\$ 861,482	\$ 348,068	\$ 3,923,643
Receivables:					
Property taxes	219,805	240,000	107,693	-	567,498
Other governments	40,823	-	-	-	40,823
Other receivables	-	-	35,344	-	35,344
Inventory	-	-	-	2,990	2,990
Due from other funds	-	-	-	-	-
Total assets	<u><u>\$ 2,395,215</u></u>	<u><u>\$ 819,506</u></u>	<u><u>\$ 1,004,519</u></u>	<u><u>\$ 351,058</u></u>	<u><u>\$ 4,570,298</u></u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 160,769	\$ -	\$ 357,001	\$ -	\$ 517,770
Accrued salaries	260,022	-	-	-	260,022
Due to other funds	-	-	-	-	-
Deferred revenue:					
Property taxes	219,805	240,000	107,693	-	567,498
Other governments	-	-	-	24,496	24,496
Total liabilities	<u><u>640,596</u></u>	<u><u>240,000</u></u>	<u><u>464,694</u></u>	<u><u>24,496</u></u>	<u><u>1,369,786</u></u>
Fund Balances:					
Restricted for:					
Capital outlay	-	-	539,825	-	539,825
Food services	-	-	-	4,176	4,176
Debt service	-	579,506	-	62,690	642,196
Other	-	-	-	60,029	60,029
Committed to:					
Undistributed reserve	175,000	-	-	-	175,000
Schools	-	-	-	86,866	86,866
Other	-	-	-	112,801	112,801
Assigned to:					
Program Balances	97,694	-	-	-	97,694
Unassigned:					
General fund	1,481,925	-	-	-	1,481,925
Capital projects fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Total fund balances	<u><u>1,754,619</u></u>	<u><u>579,506</u></u>	<u><u>539,825</u></u>	<u><u>326,562</u></u>	<u><u>3,200,512</u></u>
Total liabilities and fund balances	<u><u>\$ 2,395,215</u></u>	<u><u>\$ 819,506</u></u>	<u><u>\$ 1,004,519</u></u>	<u><u>\$ 351,058</u></u>	<u><u>\$ 4,570,298</u></u>

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

PIUTE COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds \$ 3,200,512

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	124,999	
Construction in progress		5,355,821	
Buildings and improvements, net of \$1,856,453 accumulated depreciation		1,888,495	
Furniture and equipment, net of \$1,379,305, accumulated depreciation		606,212	7,975,527

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds and lease revenue bonds is \$49,209 and accrued interest for obligations under capital leases is \$1,865. (51,074)

Bond issuance costs are reported as expenditures in the governmental funds. The bonds were paid off during the year and all bond issuance costs were completely amortized. 150,732

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable		(5,500,000)	
Obligations under capital leases		(70,358)	
Accrued vacation and sick leave		(147,870)	
Post employment benefits		(48,676)	(5,766,904)

Total net assets of governmental activities **\$ 5,508,793**

PIUTE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Revenues:					
Property taxes	\$ 227,576	\$ 284,790	\$ 115,887	\$ -	\$ 628,253
Earnings on investments	11,765	-	11,895	12,291	35,951
School lunch sales	-	-	-	37,426	37,426
Other local sources	40,378	-	75,000	230,380	345,758
State aid	3,162,176	-	200,000	62,346	3,424,522
Federal aid	531,564	239,169	-	221,149	991,882
Total revenues	<u>3,973,459</u>	<u>523,959</u>	<u>402,782</u>	<u>563,592</u>	<u>5,463,792</u>
Expenditures:					
Current:					
Instructional services	2,561,355	-	12,074	294,589	2,868,018
Supporting services:					
Instructional staff	25,191	-	-	-	25,191
District administration	244,736	-	-	-	244,736
School administration	121,832	-	-	-	121,832
Business	94,197	-	-	-	94,197
Operation and maintenance					
of facilities	433,717	-	-	-	433,717
Transportation	278,443	-	-	-	278,443
School lunch services	-	-	-	217,737	217,737
Capital outlay	-	-	4,665,118	-	4,665,118
Debt service:					
Principal retirement	34,231	-	-	-	34,231
Interest and fiscal charges	2,215	241,008	-	79,363	322,586
Total expenditures	<u>3,795,917</u>	<u>241,008</u>	<u>4,677,192</u>	<u>591,689</u>	<u>9,305,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>177,542</u>	<u>282,951</u>	<u>(4,274,410)</u>	<u>(28,097)</u>	<u>(3,842,014)</u>
Other financing sources (uses):					
Transfers	(24,000)	-	(79,907)	103,907	-
Bond proceeds	-	-	-	-	-
Equipment capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>(24,000)</u>	<u>-</u>	<u>(79,907)</u>	<u>103,907</u>	<u>-</u>
Net change in fund balances	153,542	282,951	(4,354,317)	75,810	(3,842,014)
Fund balances - beginning	<u>1,601,077</u>	<u>296,555</u>	<u>4,894,142</u>	<u>250,752</u>	<u>7,042,526</u>
Fund balances - ending	<u>\$ 1,754,619</u>	<u>\$ 579,506</u>	<u>\$ 539,825</u>	<u>\$ 326,562</u>	<u>\$ 3,200,512</u>

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

PIUTE COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances-total governmental funds **\$ (3,842,014)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 4,698,948	
Depreciation expense	<u>(179,521)</u>	4,519,427

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Interest expense - capital leases	370	
Principal payments of capital leases	<u>34,231</u>	34,601

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Interest expense - general obligation bonds	(5,968)	
Amortization of bond issuance costs	<u>(9,580)</u>	(15,548)

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued sick leave increased by \$1,380, post retirement benefits payable increased by \$9,667.

(11,047)

Change in net assets of governmental activities

\$ 685,419

PIUTE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 218,000	\$ 320,613	\$ 227,576	\$ (93,037)
Earnings on investments	25,000	867	11,765	10,898
Other local sources	64,000	112,120	40,378	(71,742)
State aid	3,310,421	3,164,319	3,162,176	(2,143)
Federal aid	410,098	588,508	531,564	(56,944)
Total revenues	<u>4,027,519</u>	<u>4,186,427</u>	<u>3,973,459</u>	<u>(212,968)</u>
Expenditures:				
Current:				
Instructional services	2,719,135	2,645,487	2,561,355	84,132
Supporting services:				
Instructional staff	26,982	23,161	25,191	(2,030)
District administration	292,308	234,489	244,736	(10,247)
School administration	194,606	124,707	121,832	2,875
Business	96,369	93,333	94,197	(864)
Operation and maintenance of facilities	443,154	413,077	433,717	(20,640)
Transportation	321,065	307,520	314,889	(7,369)
Total expenditures	<u>4,093,619</u>	<u>3,841,774</u>	<u>3,795,917</u>	<u>45,857</u>
Excess of revenues over expenditures	(66,100)	344,653	177,542	(167,111)
Other financing sources (uses):				
Capital lease proceeds	-	-	-	-
Transfer in	-	-	-	-
Transfer out	-	(120,554)	(24,000)	96,554
Net change in fund balances	<u>(66,100)</u>	<u>224,099</u>	<u>153,542</u>	<u>(70,557)</u>
Fund balances - beginning	<u>1,601,077</u>	<u>1,601,077</u>	<u>1,601,077</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,534,977</u>	<u>\$ 1,825,176</u>	<u>\$ 1,754,619</u>	<u>\$ (70,557)</u>

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

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- **Reporting Entity** - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The Board establishes District policies, approves budgets, appoints a Superintendent with responsibilities for administering all educational activities of the District, and appoints a Business Administrator with responsibilities for fiscal matters. The Board is authorized to issue bonds, incur short-term debt, levy property taxes, and is not dependent on any other unit of local government. As required by GAAP, these basic financial statements present the activities of the District. The District is not a component unit of any other primary government.

Government-wide and fund financial statements – The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

The *fund financial statements* provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category (governmental, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.
- The *debt service fund* accounts for resources (primarily taxes) accumulated and payments made for retirement of general obligation debt and for payment of associated interest and fees on that debt.

The District reports the following nonmajor special revenue funds that receive revenues which are restricted to expenditures for specified purposes:

- The *school food services fund* accounts for preparation and service of school lunches and breakfasts.
- The *non K-12 fund* accounts for preschool, adult education, recreation and other non K-12 programs.
- The *student activity fund* accounts for fees and revenues associated with student activities at the school level.
- The *scholarship fund* accounts for a perpetual scholarship fund.
- The *municipal building authority fund* is a blended component unit and is used to account for lease payments and debt payments on the lease revenue bonds.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

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

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

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2011, have been included in the final budget approved by the Board, as presented in the financial statements. Budgets were amended at year end.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds and the internal service fund. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

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

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

Cash and Cash Equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers’ Investment Fund (PTIF).

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds” (i.e., current portion of interfund loans) or “advances from/to other funds” (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resource.

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenues and expenditures on the operating statement.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.

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

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Furniture	15
Portable Classrooms	15
Machinery and Tools	15
Buses	15
Laboratory Equipment	10
Musical Instruments	10
Licensed Vehicles	10
Computers	5

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 120 days at \$60 per day. No reimbursement or accrual is made for unused vacation leave.

All sick pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

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

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

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

Fund Equity – Beginning with fiscal year 2011, the District implemented GASB Statement 54, *Fund Balance Reporting in Governmental Fund Types Definitions*. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the district is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth. The District's governmental funds beginning balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.
- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:
 - a) Unspent tax revenues for specific purposes (capital projects, debt service, student transportation, K-3 reading program, and community recreation).
 - b) Remaining fund balances in the School Lunch Fund.
- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the District's Board of Education. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Board of Education. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Education has approved to commit fund balance amounts for the following purposes:
 - a) As defined in Utah law as an "undistributed reserve," the District maintains for economic stabilization up to five percent of General Fund budgeted expenditures. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e. reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used "in the negotiation or settlement of contract salaries for school district employees."
 - b) Resources held by schools in the other governmental funds.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY (Continued)

c) Employee obligations related to the phase out of early retirement stipends.

- **Assigned.** This category includes General Fund balance amounts that the District intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the District's administration comprised of superintendent, assistant superintendents, and business administrator. This category also includes the remaining positive fund balance for other governmental funds. The District has assigned General Fund resources that are to be used for textbooks, supplies, and other unrestricted school programs.
- **Unassigned.** Residual balances in the General Fund are classified as unassigned.

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

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

Use of Estimates - Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

2. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The district follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2011, the District's custodial credit risk for deposits were as follows:

**PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2. DEPOSITS AND INVESTMENTS (Continued)

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2011</u>
Regular Checking Account	Insured	\$ 250,300
Regular Checking Account	Uninsured and collateralized	<u>1,457,477</u>
		<u>\$1,707,777</u>

B. Investments

The District's investments are managed through participation in the state Public Treasurer's Investment Fund and through a repurchase agreement arrangement with a local bank. As of June 30, 2011, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers' Investment Fund	Less than one year	<u>\$1,197,813</u>

Investments – Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments – Credit Risk – The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2. DEPOSITS AND INVESTMENTS (Continued)

Investments – Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

3. PROPERTY TAXES

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

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market value statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an “age-based” fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2011, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2011 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in progress	695,797	4,660,024	-	5,355,821
Total capital assets, not being depreciated	<u>820,797</u>	<u>4,660,024</u>	<u>-</u>	<u>5,480,821</u>
Capital assets, being depreciated:				
Buildings and improvements	3,744,948	-	-	3,744,948
Furniture and equipment	1,946,593	38,924	-	1,985,517
Total capital assets, being depreciated	<u>5,691,541</u>	<u>38,924</u>	<u>-</u>	<u>5,730,465</u>
Accumulated depreciation for:				
Buildings and improvements	(1,775,158)	(81,295)	-	(1,856,453)
Furniture and equipment	(1,281,079)	(98,226)	-	(1,379,305)
Total accumulated depreciation	<u>(3,056,237)</u>	<u>(179,521)</u>	<u>-</u>	<u>(3,235,758)</u>
Total capital assets, being depreciated, net	<u>2,635,304</u>	<u>(140,597)</u>	<u>-</u>	<u>2,494,707</u>
Governmental activities capital assets, net	<u>\$ 3,456,101</u>	<u>\$ 4,519,427</u>	<u>\$ -</u>	<u>\$ 7,975,528</u>

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

Governmental activities:	
Instructional services	\$ 93,922
Supporting services:	
District administration	13,650
School administration	2,990
Central	650
Operation and maintenance of facilities	31,806
Transportation	33,431
School lunch services	3,072
Total depreciation expense, governmental activities	<u>\$ 179,521</u>

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

5. RETIREMENT PLANS

Defined Benefit Plans - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement 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 Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 5% of their annual covered salary (all or part may be paid by the employer for the employee) and Piute County School District is required to contribute 11.83% of their member's annual covered salary. In the State and School Noncontributory Retirement System the Piute County School District is required to contribute 16.32% of the member's 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 District's contributions to the State and School Contributory Retirement System for the years ending June 30 2011, 2010, and 2009 were \$616, \$609, and \$550 respectively. The Noncontributory Retirement System contributions for June 30, 2011, 2010, and 2009 were \$321,486, \$285,860, and \$257, 292 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2011, 2010, and 2009 were \$27,628, \$27,580, and \$24,705 respectively; the employee contributions for the years ending June 30, 2011, 2010, and 2009 were \$48,052, \$46,768, and \$43,693 respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

5. RETIREMENT PLANS *(Continued)*

Separation Payments Plan OPEB – The District has a separation payments plan for all eligible employees who retire after meeting certain criteria. To be eligible for the plan employees must meet certain requirements as set forth in the plan as follows:

In order to qualify for Retirement Benefits under this policy, eligible employees of Piute County School District must have, by June 30th of the year in which retirement they are under is elected, have accumulated sufficient years of service under the Utah State Retirement System rules to qualify for full retirement benefits under the Utah State Retirement System. (Full retirement is interpreted to mean Retirement with the Utah State Retirement System without retirement benefit reduction). Eligibility is restricted to all full-time employees (at least 35 hours per week) with ten (10) or more years of service in the district.

Benefits under the plan are as follows:

The Board shall contribute \$5,000 per year on a monthly basis for health insurance for three consecutive years (including the birthday month), whichever comes first. After that period. The employee may be entitled to rights under COBRA but must make arrangements for and pay the total costs for any further insurance coverage. The employee may arrange with the district to place all or any part of these of these funds into a 401k at retirement. If an employee qualifies for Medicare a cash payment will be provided on the same ratio as the \$5000 is to the couple coverage.

As an example, if couple coverage costs \$6,500 and a Medicare supplement costs \$2,300 the following calculations will be made to determine the proportion of the Medicare supplement the district will pay. Since \$5,000 is 77%, the District will pay 77% of the \$2,300 or \$1,771

Projections of the payments under this plan for financial reporting purposes are based on a substantive agreement between the District and it eligible employees. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in the actuarial accrued liability, consistent with the long-term perspective of the calculations. In July 1, 2006 actuarial valuation, the projected unit credit using the full accrual at full eligibility age was used. An interest rate assumption of 4% was used along with demographic and other assumptions including mortality rates, public education retirement rates, the District's salary schedule, an inflationary factor, and employee termination rates by age, gender, and years of service.

The plan does not issue a separately prepared report. Funding for the plan is from ongoing operations and a separate funding plan is not in place.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 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.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 4,435,000	\$ -	\$ -	\$4,435,000	\$ -
Lease revenue bonds	1,065,000	-	-	1,065,000	-
Total bonds payable, net	<u>5,500,000</u>	<u>-</u>	<u>-</u>	<u>5,500,000</u>	<u>-</u>
Obligations under capital leases	104,589	-	(34,231)	70,358	16,580
Accrued vacation or sick pay	146,490	1,380	-	147,870	-
Post employment benefits	39,009	9,667	-	48,676	-
Total governmental activity long-term liabilities	<u>\$ 5,790,088</u>	<u>\$ 11,047</u>	<u>\$ (34,231)</u>	<u>\$5,766,904</u>	<u>\$ 16,580</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. Lease revenue bonds are paid from a tax levy in the capital projects fund. The obligations under capital leases are paid by the capital projects fund or general fund depending on the lease type. Vacation, sick leave, and early retirement benefits will be paid by the fund in which the employee worked.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. LONG-TERM DEBT (Continued)

General Obligation Bonds – During 2010 the District issued General Obligation QSCB School Building bonds in the amount of \$4,435,000. The proceeds are to be used for the remodel and construction of Piute High School located in Junction, Utah. The bonds will mature in on April 15, 2027. However, the District is required to make annual deposits to a sinking fund account to be held by the paying agent. These bonds carry an annual interest rate of 5.71%. The District is required to make annual interest payments on the outstanding bonds however, it is anticipated that annually the District will receive a subsidy from the Federal government to cover the interest payment. The required debts service schedule is as follows:

Fiscal Year Ending June 30	\$4,435,000 Series 2010		Federal Interest Subsidy (1)	Estimated Annual Contributions to Sinking Fund (2)	Total Payment Required for Debt Service (2)
	Principal	Interest			
2012	\$ -	\$ 253,239	\$ (253,239)	\$ 260,882	\$ 260,882
2013	-	253,239	(253,239)	260,882	260,882
2014	-	253,239	(253,239)	260,882	260,882
2015	-	253,239	(253,239)	260,882	260,882
2016	-	253,239	(253,239)	260,882	260,882
2017	-	253,239	(253,239)	260,882	260,882
2018	-	253,239	(253,239)	260,882	260,882
2019	-	253,239	(253,239)	260,882	260,882
2020	-	253,239	(253,239)	260,882	260,882
2021	-	253,239	(253,239)	260,882	260,882
2022	-	253,239	(253,239)	260,882	260,882
2023	-	253,239	(253,239)	260,882	260,882
2024	-	253,239	(253,239)	260,882	260,882
2025	-	253,239	(253,239)	260,882	260,882
2026	-	253,239	(253,239)	260,882	260,882
2027	4,435,000	253,239	(253,239)	260,882	260,882
Totals	\$ 4,435,000	\$ 4,051,824	\$ (4,051,824)	\$ 4,174,112	\$ 4,174,112

(1) Assumes all interest due will be paid from the federal interest rate subsidy.

(2) The District will contribute \$260,882 annually to a sinking fund account.

PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. LONG-TERM DEBT (Continued)

MBA Lease Revenue Bonds – During 2010 the Municipal Building Authority of the District issued \$1,065,000 QSCB School Building Lease Revenue Bonds. The proceeds of these bonds are to be used in connection with the remodel and construction of Piute High School located in Junction, Utah. The bonds will mature in on April 15, 2027. However, the District is required to make annual deposits to a sinking fund account to be held by the paying agent. These bonds carry an annual interest rate of 7.89%. The District is require to make annual interest payments on the outstanding bonds however, it is anticipated that annually the District will receive a subsidy from the Federal government to cover the interest payments up to 5.80%. The required debts service schedule is as follows:

Fiscal Year Ending June 30	\$1,065,000 Series 2010		Federal Interest Subsidy (1)	Estimated Annual Contributions to Sinking Fund (2)	Total Payment Required for Debt Service (2)
	Principal	Interest			
2012	\$ -	\$ 84,029	\$ (61,770)	\$ 62,647	\$ 84,906
2013	-	84,029	(61,770)	62,647	84,906
2014	-	84,029	(61,770)	62,647	84,906
2015	-	84,029	(61,770)	62,647	84,906
2016	-	84,029	(61,770)	62,647	84,906
2017	-	84,029	(61,770)	62,647	84,906
2018	-	84,029	(61,770)	62,647	84,906
2019	-	84,029	(61,770)	62,647	84,906
2020	-	84,029	(61,770)	62,647	84,906
2021	-	84,029	(61,770)	62,647	84,906
2022	-	84,029	(61,770)	62,647	84,906
2023	-	84,029	(61,770)	62,647	84,906
2024	-	84,029	(61,770)	62,647	84,906
2025	-	84,029	(61,770)	62,647	84,906
2026	-	84,029	(61,770)	62,647	84,906
2027	1,065,000	84,029	(61,770)	62,648	84,907
Totals	\$ 1,065,000	\$ 1,344,464	\$ (988,320)	\$ 1,002,353	\$ 1,358,497

(1) Assumes interest due will be paid from the federal interest rate subsidy upto 5.8%.

(2) The District will contribute \$62,647 annually to a sinking fund account.

**PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

7. LONG-TERM DEBT (Continued)

Obligations Under Capital Lease – The District obtained equipment and buses under capital lease arrangements. Annual payments are funded either through the capital projects fund or from transportation. The future minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 16,580	\$ 2,191	\$ 18,771
2013	17,246	1,486	18,732
2014	17,952	758	18,710
2015	<u>18,580</u>	<u>0</u>	<u>18,580</u>
	<u>\$ 70,358</u>	<u>\$ 4,435</u>	<u>\$74,793</u>

8. COMMITTED FOR UNDISTRIBUTED RESERVE

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

9. GRANTS

The 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 requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District’s independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

**PIUTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Utah law requires that actual expenditures shall not exceed budgeted appropriations for any fund. Actual expenditures exceeded appropriations in:

Municipal Building Authority	\$ 79,363
Capital Projects Fund	147,318
School Lunch Fund	4,854

11. INTER FUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end the District had an inter fund loan in the amount of \$6,928 between the Non K-12 Fund and the School Lunch Fund. This inter fund loan has been eliminated at the government-wide level.

The following fund transfers occurred during the year:

Fund	Transfer Out	Transfer In
General Fund	\$ 24,000	\$ -
Food Service Fund	-	24,000
Capital Projects Fund	79,907	
Municipal Building Fund	-	79,907
Total Fund Transfers	\$ 103,907	\$ 103,907

The above transfers were made in the general course of annual operations.

Governmental funds report revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year the various components of deferred revenue and unearned revenue reported in the governmental funds consisted of the following:

Type	Unavailable	Unearned
Property Tax Receivable - General Fund	\$ -	\$ 219,805
Property Tax Receivable - Debt Service Fund	-	240,000
Property Tax Receivable - Capital Projects Fund	-	107,693
Deferred rev. from other govts - Non K-12 Fund	-	24,496
Total deferred/unearned revenue for govtl funds	\$ -	\$ 591,994

REQUIRED SUPPLEMENTARY INFORMATION

PIUTE COUNTY SCHOOL DISTRICT
Required Supplementary Information
Year Ended June 30, 2011

District Separation Payments Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/2006	\$ -	\$ 241,671	\$ 241,671	0.00%	\$ 1,902,169	12.71%

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

School Lunch Fund – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily through grants and student fees.

Scholarship Fund – This fund is used to account for a perpetual scholarship fund for graduating seniors.

Student Activity Fund – This fund is used to account for fees, revenues, and expenditures related to student activity funds at the school level.

Municipal Building Authority – This fund is used to account for lease revenue payments from the District that are paid to the MBA and are in turn used to service the debt associated with the lease revenue bonds issued in 2010.

PIUTE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Scholarship Fund	Municipal Building Authority	Student Activity Fund	
Assets:						
Cash and investments	\$ 4,176	\$ 134,307	\$ 60,029	\$ 62,690	\$ 86,866	\$ 348,068
Receivables:						
Other governments	-	-	-	-	-	-
Inventory	2,990	-	-	-	-	2,990
Due from other funds	-	-	-	-	-	-
Total assets	\$ 7,166	\$ 134,307	\$ 60,029	\$ 62,690	\$ 86,866	\$ 351,058
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Deferred revenue:						
Property taxes	-	-	-	-	-	-
Other governments	2,990	21,506	-	-	-	24,496
Total liabilities	2,990	21,506	-	-	-	24,496
Fund balances:						
Restricted for:						
Debt service				62,690		62,690
Food services	4,176					4,176
Other			60,029			60,029
Committed to:						
Schools					86,866	86,866
Other		112,801				112,801
Unassigned:	-	-	-	-	-	-
Total fund balances	4,176	112,801	60,029	62,690	86,866	326,562
Total liabilities and fund balances	\$ 7,166	\$ 134,307	\$ 60,029	\$ 62,690	\$ 86,866	\$ 351,058

PIUTE COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Scholarship Fund	Municipal Building Authority	Student Activity Fund	
Revenues:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student fees	-	42,308	-	-	177,072	219,380
Lunch sales	37,426	-	-	-	-	37,426
Earnings on investments	-	-	8,483	3,808	-	12,291
Other local revenues	-	-	11,000	-	-	11,000
State aid	18,922	43,424	-	-	-	62,346
Federal aid	137,546	25,265	-	58,338	-	221,149
Total revenues	<u>193,894</u>	<u>110,997</u>	<u>19,483</u>	<u>62,146</u>	<u>177,072</u>	<u>563,592</u>
Expenditures:						
Current:						
Instructional services	-	134,112	-	-	160,477	294,589
Supporting services:						
Other services	-	-	-	-	-	-
Debt Service:						
Interest payments	-	-	-	79,363	-	79,363
Principal retirements	-	-	-	-	-	-
School lunch services	217,737	-	-	-	-	217,737
Total expenditures	<u>217,737</u>	<u>134,112</u>	<u>-</u>	<u>79,363</u>	<u>160,477</u>	<u>591,689</u>
Excess of revenues over expenditures	(23,843)	(23,115)	19,483	(17,217)	16,595	(28,097)
Other financing sources:						
Transfer in (out)	24,000	-	-	79,907	-	103,907
Net change in fund balances	157	(23,115)	19,483	62,690	16,595	75,810
Fund balances - beginning	4,019	135,916	40,546	-	70,271	250,752
Fund balances - ending	<u>\$ 4,176</u>	<u>\$ 112,801</u>	<u>\$ 60,029</u>	<u>\$ 62,690</u>	<u>\$ 86,866</u>	<u>\$ 326,562</u>

PIUTE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2011
With Comparative Totals for 2010

	2011		Variance with Final Budget - Positive (Negative)	2010
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Local sources:				
Lunch sales - children	\$ 27,474	\$ 28,928	\$ 1,454	\$ 32,781
Lunch Sales - adult	6,627	7,850	1,223	7,443
Other local sales	280	648	368	303
Total local sources	<u>34,381</u>	<u>37,426</u>	<u>3,045</u>	<u>40,527</u>
State sources:				
State lunch program	12,135	18,922	6,787	18,164
Total state sources	<u>12,135</u>	<u>18,922</u>	<u>6,787</u>	<u>18,164</u>
Federal sources:				
Federal lunch program	11,119	13,566	2,447	11,839
Free and reduced assistance	66,203	81,222	15,019	76,894
Breakfast program	25,714	31,114	5,400	28,583
Other	33,424	11,644	(21,780)	7,086
Total federal sources	<u>136,460</u>	<u>137,546</u>	<u>1,086</u>	<u>124,402</u>
Total revenues	<u>182,976</u>	<u>193,894</u>	<u>10,918</u>	<u>183,093</u>
Expenditures:				
Current:				
Salaries	70,500	72,643	(2,143)	74,226
Employee benefits	17,339	16,918	421	15,540
Purchased services	3,274	3,274	-	3,503
Supplies	1,811	1,811	-	199
Food	117,314	122,493	(5,179)	111,635
Other	2,645	598	2,047	3,799
Total expenditures	<u>212,883</u>	<u>217,737</u>	<u>(4,854)</u>	<u>208,902</u>
Excess (deficiency) of revenues over expenditures	(29,907)	(23,843)	6,064	(25,809)
Other financing sources and (uses)				
Transfers in	29,907	24,000	(5,907)	25,800
Transfers out	-	-	-	-
Net change in fund balances	<u>-</u>	<u>157</u>	<u>157</u>	<u>(9)</u>
Fund balances - beginning	<u>4,019</u>	<u>4,019</u>	<u>-</u>	<u>4,028</u>
Fund balances - ending	<u>\$ 4,019</u>	<u>\$ 4,176</u>	<u>\$ 157</u>	<u>\$ 4,019</u>

PIUTE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2011
With Comparative Totals for 2010

	2011		Variance with Final Budget - Positive (Negative)	2010
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	
Community school fees	41,578	42,308	730	37,459
Total local sources	41,578	42,308	730	37,459
State sources:				
Adult high school completion	16,632	16,632	-	-
Preschool	26,792	26,792	-	-
Medicare Outreach			-	-
Total state sources	43,424	43,424	-	-
Federal sources:				
Special education preschool grant	25,265	25,265	-	54,529
Adult education	-	-	-	
Total federal sources	25,265	25,265	-	54,529
Total revenues	110,267	110,997	730	91,988
Expenditures:				
Current:				
Salaries	104,464	101,600	2,864	101,571
Employee benefits	28,257	27,842	415	22,322
Purchased services	2,505	1,931	574	1,288
Supplies	2,192	2,156	36	1,839
Equipment	583	583	-	-
Total expenditures	138,001	134,112	3,889	127,020
Excess (deficiency) of revenues over (under) expenditures	(27,734)	(23,115)	4,619	(35,032)
Other financing sources and (uses):				
Transfers in	28,000	-	(28,000)	37,490
Transfers out	-	-	-	-
Net change in fund balances	266	(23,115)	(23,381)	2,458
Fund balances - beginning	135,916	135,916	-	133,458
Fund balances - ending	\$ 136,182	\$ 112,801	\$ (23,381)	\$ 135,916

PIUTE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Student Activity Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2011
With Comparative Totals for 2010

	2011			2010
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Student fees	199,781	177,072	(22,709)	155,418
Total local sources	199,781	177,072	(22,709)	155,418
Expenditures:				
Current:				
Fees and Supplies	179,229	160,477	18,752	167,185
Total expenditures	179,229	160,477	18,752	167,185
Excess (deficiency) of revenues over (under) expenditures	20,552	16,595	(3,957)	(11,767)
Other financing sources:				
Transfer in	-	-	-	-
Net change in fund balances	20,552	16,595	(3,957)	(11,767)
Fund balances - beginning	70,271	70,271	-	82,038
Fund balances - ending	\$ 90,823	\$ 86,866	\$ (3,957)	\$ 70,271

PIUTE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Municipal Building Authority Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2011

	2011			2010
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Earnings on investments	\$ -	\$ 3,808	\$ 3,808	\$ -
Federal interest subsidy	-	58,338	58,338	-
Total revenues	-	62,146	62,146	-
Expenditures:				
Debt service:				
Bond principal	-	-	-	-
Bond interest	-	79,363	(79,363)	-
Paying agent fees	-	-	-	-
Total expenditures	-	79,363	(79,363)	-
Excess (deficiency) of revenues over (under) expenditures	-	(17,217)	(17,217)	-
Other financing sources (uses):				
Transfers in	-	79,907	79,907	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	79,907	79,907	-
Net change in fund balances	-	62,690	62,690	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ 62,690	\$ 62,690	\$ -

PIUTE COUNTY SCHOOL DISTRICT
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
Scholarship Fund
Nonmajor Special Revenue Fund
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Local sources:		
Contributions	\$ 11,000	\$ -
Earnings on investments	8,483	4,533
Total revenues	<u>19,483</u>	<u>4,533</u>
Expenditures:		
Current:		
Scholarships and other expenditures	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	19,483	4,533
Other financing sources (uses):		
Transfers in	<u>-</u>	<u>-</u>
Net change in fund balances	19,483	4,533
Fund balances - beginning	<u>40,546</u>	<u>36,013</u>
Fund balances - ending	<u><u>\$ 60,029</u></u>	<u><u>\$ 40,546</u></u>

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund services primary on-going operation of the District. It is used to account for activity and financial resources that are not required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the receipt of property taxes levied for retirement of general obligation debt. The expenditures are for principal retirement and for payment of interest and fees.

Capital Projects Fund - The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

PIUTE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service Fund
Year Ended June 30, 2011

	<u>2011</u>		Variance with Final Budget - Positive (Negative)	<u>2010</u>
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Property tax	\$ 258,383	\$ 284,790	\$ 26,407	\$ 627
Federal interest subsidy	-	239,169	239,169	-
Earnings on investments	-	-	-	-
Total revenues	<u>258,383</u>	<u>523,959</u>	<u>265,576</u>	<u>627</u>
Expenditures:				
Debt service:				
Bond principal	-	-	-	-
Bond interest	<u>323,529</u>	<u>241,008</u>	<u>82,521</u>	<u>-</u>
Total expenditures	<u>323,529</u>	<u>241,008</u>	<u>82,521</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,146)</u>	<u>282,951</u>	<u>348,097</u>	<u>627</u>
Other financing sources (uses):				
Proceeds of refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(65,146)</u>	<u>282,951</u>	<u>348,097</u>	<u>627</u>
Fund balance - beginning	<u>296,555</u>	<u>296,555</u>	<u>-</u>	<u>295,928</u>
Fund balance - ending	<u><u>\$ 231,409</u></u>	<u><u>\$ 579,506</u></u>	<u><u>\$ 348,097</u></u>	<u><u>\$ 296,555</u></u>

PIUTE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2011
With Comparative Totals for 2010

	2011		Variance with Final Budget - Positive (Negative)	2010
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 29,141	\$ 115,887	\$ 86,746	\$ 133,502
Earnings on investments	3,000	11,895	8,895	4,041
Other local revenues	39,656	75,000	35,344	95,344
Total local sources	71,797	202,782	130,985	232,887
State sources:				
Capital outlay foundation	201,459	200,000	(1,459)	202,265
Other	-	-	-	-
Total state sources	201,459	200,000	(1,459)	202,265
Total revenues	273,256	402,782	129,526	435,152
Expenditures:				
Instructional Services:				
Salaries and Benfits	-	-	-	-
Supplies	10,050	12,074	(2,024)	270
Total instructional services	10,050	12,074	(2,024)	270
Land and buildings:				
Land improvements	1,205	1,205	-	2,340
Building improvements	4,516,285	4,660,024	(143,739)	1,386,776
Total land and buildings	4,517,490	4,661,229	(143,739)	1,389,116
Equipment:				
Equipment	2,334	3,889	(1,555)	9,801
Buses	-	-	-	-
Total equipment	2,334	3,889	(1,555)	9,801
Total expenditures	4,529,874	4,677,192	(147,318)	1,399,187
Excess (deficiency) of revenues over (under) expenditures	(4,256,618)	(4,274,410)	(17,792)	(964,035)
Other Financing Sources (Uses):				
General obligation bond proceeds	-	-	-	5,500,000
Transfer out	-	(79,907)	(79,907)	-
Equipment capital lease	-	-	-	-
Total other financing sources (uses)	-	(79,907)	(79,907)	5,500,000
Net change in fund balances	(4,256,618)	(4,354,317)	(97,699)	4,535,965
Fund balance - beginning	4,894,142	4,894,142	-	358,177
Fund balance - ending	\$ 637,524	\$ 539,825	\$ (97,699)	\$ 4,894,142

PIUTE SCHOOL DISTRICT

**SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>	5-6
Schedule of <u>Prior Year</u> Findings	7-8
Schedule of Findings and Questioned Costs.....	9-12
Independent Auditor’s Report on Legal Compliance in Accordance With the <i>Utah State Legal Compliance Audit Guide</i>	13-14

PIUTE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Thru Grantor's Number</u>	<u>District's Program Number</u>	<u>Disbursements or Expenditures</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Utah State Department of Education</i>				
Title I Grants to Local Educational Agencies (Title I, A)	84.010	08	7545	\$99,674
ARRA Title I Grants to Local Educational Agencies (Title I, A)	84.389	9E	7662	28,493
Special Education_Grants to States	84.027	19	7801	104,114
ARRA Special Education_Grants to States	84.391	9A	7662	25,505
Special Education_Preschool Grants	84.173	52	7801	25,265
Improving Teacher Quality (Title II, A)	84.367	74	7860	21,683
Migrant Education_State Grant Program	84.011	15	7830	34,461
Education Jobs Fund	84.410	9N	7650	55,718
Vocational Education_Basic Grants to States	84.048	20	6000	1,500
Total U.S. Department of Education				<u>396,413</u>
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Utah State Department of Education</i>				
Federal School Lunch Program	10.555	42	8001	13,566
Federal Special Assistance Program	10.555	42	8001	81,222
Federal Special Assistance Program - Non Cash (Commodity)	10.555	N/A	8001	11,644
Federal School Breakfast Program	10.553	44	8001	31,114
<i>Passed Through State of Utah</i>				
P.L. 110-343 Secure Rural Schools Act	10.665	N/A	1050	160,416
Total U.S. Department of Agriculture				<u>297,962</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u><u>\$694,375</u></u>

PIUTE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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 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

Non-monetary 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, 2011 is \$2,990.

NOTE C - ACCOUNTS RECEIVABLE

The financial statements include accounts receivable from Federal programs. These receivables are accrued according to the accrual basis of accounting. The receivables reflect Federal awards that have been expended by yearend and not yet reimbursed.

NOTE D – RELATIONSHIP TO THE DISTRICT’S FINANCIAL STATEMENTS

A reconciliation of Federal revenue reported on the District’s basic financial statements and the schedule of expenditures of Federal awards for the year ended June 30, 2011 is as follows:

General Fund	\$	531,564
Debt Service Fund		239,169
Special Revenue Funds		
Non K-12 Programs		25,265
Municipal Bld Authority		58,338
School Food Services		137,546
Total Governmental Funds		991,882
Less Build America Bond Subsidy		(297,508)
Amount Reported on SEFA	\$	694,374



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

Board of Education
Piute School District
Junction, UT

November 22, 2011

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piute School District as of and for the year ended June 30, 2011, which collectively comprise Piute School District's basic financial statements and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Piute School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and

questioned costs that we consider to be significant deficiencies in internal control over financial reporting, listed as items 11-1 to 11-4. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piute School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 11-05 through 11-06.

Piute County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management, the Board of Education, State Office of Education, Utah State Auditor, Federal and State award 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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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Piute School District
Junction, UT

November 22, 2011

Compliance

We have audited the compliance of Piute 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, 2011. Piute 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 Piute School District's management. Our responsibility is to express an opinion on Piute School District's compliance based on our audit.

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

In our opinion, Piute 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 11-7.

Internal Control Over Compliance

The management of Piute 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

Piute County School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

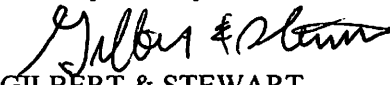
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-1 through 11-4. A *significant deficiency* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet it is important enough to merit attention by those charged with governance

Piute School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Piute School District's responses and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Piute School District as of and for the year ended June 30, 2011 and have issued our report thereon dated November 22, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Piute School District's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of management, Board of Education, State Office of Education, Utah State Auditor, Federal and State award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
Certified Public Accountants

PIUTE SCHOOL DISTRICT
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Internal Control Findings:

10-1 **Draft Financial Statements**

Finding: The District does not have an employee with certain expertise to draft the District's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews and accepts responsibility for the financial statements.

Recommendation: Management should make efforts to gain as much expertise as possible regarding the preparation of the basic financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

Current Status: See current finding 11-1.

10-2 **Adjustments to Accrual Basis of Accounting**

Finding: The District does not currently post year-end adjusting journal entries necessary to adjust the financial statements to the accrual basis of accounting. The auditor, with oversight from management, recommends adjusting journal entries to the District to adjust the financial statements to the accrual basis of accounting.

Recommendation: Management should receive training regarding posting of year-end accrual basis adjusting entries.

Current Status: See Current finding 11-2.

10-3 **Segregation of Duties**

Finding: During the course of our audit we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small districts make it difficult to provide for these separations in a cost effective manner.

Recommendation: We recommend that, when feasible, the District provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the school board should continue to constantly be aware of the need for administrative review of transactions and activities of the District.

Current Status: See current finding 11-3.

10-4 **Bank Reconciliations**

Finding: During our audit we noted that bank reconciliations were not being performed in a timely manner. Bank reconciliations need to be completed on a monthly basis to ensure any errors or adjustments be identified and remedied in a timely manner.

Recommendation: We recommend that the bank reconciliations be completed on a monthly basis.

Current Status: See current year finding 11-4.

Compliance Findings (Utah State Compliance):

10-5 **Budgetary Compliance**

Finding: *Utah Code , Section 53A-19* requires the District to maintain expenditures within the adopted budget. We noted that the District's actual expenditures exceeded budgeted expenditures in the following funds:

School Lunch Fund	\$ 18,987
General Fund	25,728
Student Activity Fund	171,719
Capital Projects Fund	13,541

Recommendation: We recommend that the District make proper adjustments of the budget each year end to comply with state law. Non-cash revenue and expenditure for commodities from the Federal government were not taken into account on the final budget in the School Lunch Fund. The Student Activity Fund was a new fund and expenditures were not budgeted. We recommend allowance be provided for these items in the future.

Current Status: See current year finding 11-5

10-6 **Cash Management Compliance**

Finding: State law requires a minimum fidelity treasurer's bond to be provided based on a percentage of budgeted revenues of the District. The District's required minimum bond amount was \$280,000 and the District had a bond in the amount of \$250,000.

Recommendation: We recommend that the District increase the treasurer's bond to the required amount.

Current Status: The District is now in compliance.

10-7 **Special Education Cluster Programs – Payroll Certifications**

Finding: OMB Circular A-87, Attachment B, 11(h)(2)-(5) requires personnel costs charged to any Federal program be supported by periodic written certifications signed by employees of the Federal program. The District does have a system of tracking hours associated with work within Federal programs and we found it to be adequate support for the costs charged to the programs. However, the District is not currently obtaining the required certifications from salaried employees.

Recommendation: We recommend that the District implement procedures and processes to obtain the required certifications for employees paid from Federal funding.

Current Status: See current year finding 11-7

PIUTE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weaknesses indentified? ___ Yes ___X___ No

-Significant deficiencies identified that are not considered to be material weaknesses?

 ___X___ Yes ___ No

Noncompliance material to the financial statements noted? ___ Yes ___X___ No

Federal Awards:

Internal control over major programs:

-Material weaknesses identified? ___ Yes ___X___ No

-Significant deficiencies indentified that are not considered to be material weaknesses?

 ___X___ Yes ___ No

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___X___ Yes ___ No

Identification of major programs:

CFDA 84.410	Education Jobs Fund
CFDA 10.555	Federal School Lunch Program
CFDA 10.553	Federal School Breakfast Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? ___X___ Yes ___ No

2. FINANCIAL STATEMENT FINDINGS

Internal Control Findings:

11-1 Draft Financial Statements

Finding: The District does not have an employee with certain expertise to draft the District's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews and accepts responsibility for the financial statements.

Recommendation: Management should make efforts to gain as much expertise as possible regarding the preparation of the basic financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

District's Response: Management will gain additional expertise in the preparation of the financial statements and footnotes to ensure they are qualified to review, approve, and accept responsibility for the statements.

11-2 Adjustments to Accrual Basis of Accounting

Finding: The District does not currently post year-end adjusting journal entries necessary to adjust the financial statements to the accrual basis of accounting. The auditor, with oversight from management, recommends adjusting journal entries to the District to adjust the financial statements to the accrual basis of accounting.

Recommendation: Management should receive training regarding posting of year-end accrual basis adjusting entries.

District's Response: Management will continue to receive training on posting and converting the financial statements to the accrual basis of accounting.

11-3 Segregation of Duties

Finding: During the course of our audit we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small districts make it difficult to provide for these separations in a cost effective manner.

Recommendation: We recommend that, when feasible, the District provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the school board should continue to constantly be aware of the need for administrative review of transactions and activities of the District.

Districts Response: We concur and we will make all efforts to have a proper segregation of duties. The District's board will continue to monitor transactions and activities of the district.

11-4 Bank Reconciliations

Finding: During our audit we noted that bank reconciliations were not being performed in a timely manner. Bank reconciliations need to be completed on a monthly basis to ensure any errors or adjustments be identified and remedied in a timely manner.

Recommendation: We recommend that the bank reconciliations be completed on a monthly basis.

District's Response: The District is going to implement a monthly process of reconciling the bank statements.

Compliance Findings (Utah State Compliance):

11-5 **Budgetary Compliance**

Finding: *Utah Code, Section 53A-19* requires the District to maintain expenditures within the adopted budget. We noted that the District's actual expenditures exceeded budgeted expenditures in the following funds:

Municipal Building Authority	\$ 79,363
Capital Projects Fund	147,318
School Lunch Fund	4,854

Recommendation: We recommend that the District make proper adjustments of the budget each year end to comply with state law.

District's Response: We concur with the auditor's recommendation and will monitor expenditures throughout the year.

11-6 **Cash Management Compliance**

Finding: State law requires a minimum fidelity treasurer's bond to be provided based on a percentage of budgeted revenues of the District. The District's bond level needs to be increased to be in compliance with the required minimum bond amount.

Recommendation: We recommend that the District increase the treasurer's bond to the required amount.

District Response: We concur with the finding and will increase the treasurer's bond.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See financial statements findings 11-1 through 11-4.

Although these findings do exist in regards to the Federal award programs we noted no instances where these findings resulted in any questioned costs associated with major Federal award programs.

11-7 **Special Education Cluster Programs – Payroll Certifications**

Finding: OMB Circular A-87, Attachment B, 11(h)(2)-(5) requires personnel costs charged to any Federal program be supported by periodic written certifications signed by employees of the Federal program. The District does have a system of tracking hours associated with work within Federal programs and we found it to be adequate support for the costs charged to the programs. However, the District is not currently obtaining the required certifications from salaried employees.

Recommendation: We recommend that the District implement procedures and processes to obtain the required certifications for employees paid from Federal funding.

Districts Response: We agree with the recommendation and will implement procedures to obtain the required certifications.

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**INDEPENDENT AUDITOR'S REPORT ON
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

Board of Education
Piute School District
Junction, Utah

November 22, 2011

We have audited the Piute School District's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the District are identified as follows:

- Public Debt
- Budgetary Compliance
- Cash Management
- Truth in Taxation and Property Tax Limitation
- Purchasing Requirements
- Other General Compliance Issues
- Utah Retirement System Compliance
- Fund Balance Limitation
- Locally Generated Taxes & Fees (USOE)

The District received the following major assistance programs from the State of Utah:

- Minimum School Program (USOE)

Compliance with the requirements referred to above is the responsibility of the School District's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the 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 of the District's compliance with those requirements.

In our opinion, Piute School District complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state assistance programs for the year ended June 30, 2011.

However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated November 22, 2011 as items 11-5 and 11-6.

Management's response to the findings identified in our audit is described in the accompanying letter to management. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School District management, the Board of Education, State Office of Education, and the Office of the Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is limited.



GILBERT & STEWART
Certified Public Accountants

PIUTE COUNTY SCHOOL DISTRICT

**LETTER TO MANAGEMENT AND
THOSE CHARGED WITH GOVERNANCE**

JUNE 30, 2011



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November 22, 2011

Board of Education
Piute County School District
Junction, UT

We have audited the financial statements of Piute County School District for the year ended June 30, 2011 and have issued our report thereon dated November 22, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 5, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Piute County School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Piute County School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Piute County School District are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2011 other than the adoption of GASB Statement 54. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Piute County School District's financial statements were:

Management's estimate of the useful lives of depreciable assets, and the applicable depreciation amounts are based on estimated usefulness of the assets in question and the related wear and tear of those assets. We evaluated the key factors and assumptions used to develop these amounts in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain liabilities associated with post employment benefits have been accrued on the financial statements. These liabilities are based on assumptions and actuarial calculations but differences in actual outcomes that may differ from the actuarial based assumptions can result in different outcomes than those estimated.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our

professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We noted certain internal control related issues that we reported in the findings and questioned costs in the single audit package.

Utah State Findings - Current Year

11-5 **Budgetary Compliance**

Finding: *Utah Code, Section 53A-19* requires the District to maintain expenditures within the adopted budget. We noted that the District's actual expenditures exceeded budgeted expenditures in the following fund:

Municipal Building Authority	\$ 79,363
Capital Projects Fund	147,318
School Lunch Fund	4,854

Recommendation: We recommend that the District make proper adjustments of the budget each year end to comply with state law.

District's Response: We concur with the auditor's recommendation and will monitor expenditures throughout the year.

11-6 **Cash Management Compliance**

Finding: State law requires a minimum fidelity treasurer's bond to be provided based on a percentage of budgeted revenues of the District. The District's bond level needs to be increased to be in compliance with the required minimum bond amount.

Recommendation: We recommend that the District increase the treasurer's bond to the required amount.

District Response: We concur with the finding and will increase the treasurer's bond.

Utah State Findings - Prior Year

10-5 Budgetary Compliance

Finding: *Utah Code, Section 53A-19* requires the District to maintain expenditures within the adopted budget. We noted that the District's actual expenditures exceeded budgeted expenditures in the following fund:

General Fund	\$ 25,728
Capital Projects Fund	13,541
School Lunch Fund	18,987
Student Activity	171,719

Recommendation: We recommend that the District make proper adjustments of the budget each year end to comply with state law.

Current Status: See current year finding 11-5

Other Matters for Your Consideration

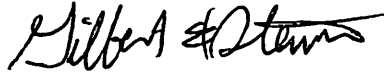
During our audit we also noted items of improvement to internal controls and processes that will improve financial reporting and the control structure. Below are these items for your consideration.

1. Each School in the District has its own bank accounts for collection of school lunch charges, school activity fees, and certain other revenues generated at the school level. The schools expend funds from their accounts for the activities and programs for which the funds were collected. We noted that the schools do not submit a monthly report to the District of revenues and expenditures and ongoing activity balances. This does not give the District the ability to provide oversight and help mitigate internal control issues which are inherent at the school level. We recommend that the District develop a monthly reporting system where the schools provide a copy of the bank statement, the bank reconciliation, detail expenditure reports, and balance sheets. This will help the District have oversight on the schools and help solve potential problems in a timely and effective manner. The balance sheets will help the District review for negative balances in activity budgets and programs.
2. We noted several checks at the individual school level that cleared the bank account with only one signature. We recommend that the schools be reminded of the need for two signatures on all checks.
3. During our audit we noted several instances where backup documentation could not be found for expenditures at the individual school level. We recommend that the individual school personnel be trained with special emphasis on the need to keep backup documentation for all expenditures.
4. Governmental accounting standards require that the District update the actuarial analysis of the District's OPEB program. The last update was in July of 2006. We

recommend that the District update the estimates to help ensure that the accruals for the OPEB are being maintained at an adequate level.

This information is intended solely for the use of The Piute County School District and the management of the Piute County School District, and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gilbert & Stewart", written in a cursive style.

GILBERT & STEWART
Certified Public Accountants