

Supplemental

Continuing Disclosure Memorandum

Summary of Debt Structure and Financial Information
SEC Rule 15c2-12

For

Garfield County School District
Garfield County, Utah

Filed with
Electronic Municipal Market Access (“EMMA”)
emma.msrb.org

Submitted and dated as of February 1, 2012
(Submission required by February 15, 2012)



Garfield School District

145 East Center • P.O. Box 398 Panguitch Utah 84759 • phone (435) 676-8821 • fax (435) 676-8266

TO EMPOWER AND MOTIVATE LIFELONG LEARNERS

Friday, January 27, 2012

Via electronic submission to www.EMMA.MSRB.org
Attn: Municipal Disclosure

Re: Continuing Disclosure Undertaking of the Board of Education of Garfield County School District, Garfield County, Utah

To Whom It May Concern:

In accordance with the provisions of paragraph (b) (5) (i) (A) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Board of Education of Garfield County School District, Utah (the "District") (sometimes referred to herein as the "Issuer"), hereby files with you the enclosed (i) the Financial Statements of the District for the Fiscal Year Ended June 30, 2011 (the "FS"); and (ii) the Supplemental Continuing Disclosure Memorandum of the District dated February 15, 2012 (the "SCDM"). This letter, the FS, and the SCDM constitute the annual financial information and operating data concerning the District to be filed in compliance with the Issuer's obligation under that certain agreement entered into in connection with the offering of the following securities described in the following Official Statement:

<u>Securities</u>	<u>Official Statement</u>
\$5,375,000 General Obligation Refunding Bonds (Utah School Bond Guaranty Program) Series 2002 Dated February 15, 2002	\$5,375,000 Board of Education of Garfield County School District Garfield County, Utah General Obligation Refunding Bonds (Utah School Bond Guaranty Program) Series 2002 Dated February 15, 2002

Other than Moody's Investors Service rating recalibration, no event described in paragraph (b) (5) (i) (c) of the Rule has occurred that is required to be disclosed with respect to any of the above-described securities.

Sincerely,

Garfield County School District, Garfield County, Utah

Lark N. Reynolds, Business Administrator

cc: Zions Bank Public Finance, Salt Lake City, Utah

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GENERAL

Contact Person For The School District

As of the date of this Supplemental Continuing Disclosure Memorandum, the chief contact person for the Board of Education of Garfield County School District, Garfield County, Utah (the “District”) is:

Lark Reynolds, Business Administrator

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Garfield County School District

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The District maintains an internet site that may be accessed at www.garfield.k12.ut.us. *The information available at this internet site is provided by the school board in the course of its normal operations and has not necessarily been reviewed for accuracy or completeness. Such information is not a part of this Supplemental Continuing Disclosure Memorandum*

When used herein the terms “Fiscal Year[s]” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year beginning on July 1 and ending on June 30 of the year indicated

The Issue

The Board of Garfield County School District, Garfield County, Utah (the “District”) is providing continuing disclosure on the following issue:

1.

\$5,375,000

Board of Education of

Garfield County School District

Garfield County, Utah

General Obligation Refunding Bonds

(Utah School Bond Guaranty Program), Series 2002

Bonds dated: February 15, 2002 — Bonds issued on: February 21, 2002

CUSIP numbers on the 2002 Bonds are provided below.

The 2002 Bonds, as defined herein, were awarded on February 21, 2002, at a negotiated sale to Zions First National Bank, Salt Lake City, Utah, at a “true interest rate” of 4.26%.

Background Information. The \$5,375,000 General Obligation Refunding Bonds (Utah School Bond Guaranty Program), Series 2002, dated February 15, 2002 (the “2002 Bonds”), were issued by the Board as fully-registered bonds in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC is acting as securities depository for the 2002 Bonds.

Principal of and interest on the 2002 Bonds (interest payable June 1 and December 1 of each year) are payable by Zions First National Bank, Corporate Trust Department, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, currently DTC.

Optional Redemption. The 2002 Bonds maturing on or prior to June 1, 2012, are not subject to call and redemption prior to maturity.

The 2002 Bonds maturing on or after June 1, 2013, are subject to redemption, at the election of the Board, on June 1, 2012, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as shall be selected by the Board, upon notice as provided in the Bond Resolution, at a redemption price equal to 100% of the principal amount of the 2002 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, but without premium.

Current Maturity Schedule.

Current principal outstanding: \$2,075,000

Original issue amount: \$5,375,000

Dated: February 15, 2002

Due: June 1, as shown below

Due June 1	CUSIP 365770	Principal Amount	Original Interest Rate		Due June 1	CUSIP 365770	Principal Amount	Original Interest Rate
2012.....	ER 3	\$485,000	4.30 %		2014.....	ET 9	\$530,000	4.50 %
2013.....	ES 1	505,000	4.375		2015.....	EU 6	555,000	4.625

Bank Qualified Obligations. Subject to the Board’s compliance with certain covenants, in the opinion of Bond Counsel, the 2002 Bonds are “qualified tax–exempt obligations” under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

Security. The 2002 Bonds will be general obligations of the Board, payable from the proceeds of ad valorem taxes to be levied, without limitation as to rate or amount, on all of the taxable property in the District, fully sufficient to pay the 2002 Bonds as to both principal and interest.

Credit Enhancement. Payment of the principal of and interest on the 2002 Bonds when due is guaranteed by the full faith and credit and unlimited ad valorem taxing power of the State of Utah (the “State”) under the provisions of the Utah School Bond Guaranty Act, Chapter 28 of Title 53A, Utah Code Annotated 1953, as amended (the “Guaranty Act”).

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DEBT STRUCTURE OF GARFIELD COUNTY SCHOOL DISTRICT

Outstanding General Obligation Bonded Indebtedness

<u>Series (1)</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Current Balance Outstanding</u>
2011	Refunding	\$1,220,000	June 1, 2014	\$1,220,000
2002	Refunding	5,375,000	June 1, 2015	2,075,000
2001(2).....	School Building	2,750,000	June 1, 2011 (3)	<u>0</u>
Total Outstanding Direct Debt				<u>\$3,295,000</u>

- (1) Rated "Aaa" (State of Utah Guaranty) (underlying rating of "A2") by Moody's, as of the date of this SUPPLEMENTAL CONTINUING DISCLOSURE MEMORANDUM.
- (2) Portions of these bonds will be refunded by the 2011 Bonds.
- (3) Final maturity date after portions of these bonds was refunded by the 2011 Bonds.

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Debt Service Schedule of Outstanding General Obligation Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2011 \$1,220,000		Series 2002 \$5,375,000		Series 2001 \$2,750,000		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2011.....	\$ 0	\$ 0	\$ 465,000	\$ 111,998	\$ 365,000	\$ 44,429 (1)	\$ 830,000	\$ 156,427	\$ 986,427
2012.....	400,000	26,298	485,000	92,468	0	0 (1)	885,000	118,766	1,003,766
2013.....	410,000	16,400	505,000	71,613	0	0 (1)	915,000	88,013	1,003,013
2014.....	410,000	8,200	530,000	49,519	0	0 (1)	940,000	57,719	997,719
2015.....	—	—	555,000	25,669	—	—	555,000	25,669	580,669
Totals.....	\$1,220,000	\$ 50,898	\$2,540,000	\$ 351,267	\$ 365,000	\$ 44,429	\$ 4,125,000	\$ 446,594	\$ 4,571,594

(1) Principal and interest were refunded by the 2011 Bonds.

Overlapping And Underlying General Obligation Debt

<u>Taxing Entity</u>	<u>(1) 2011 Taxable Value</u>	<u>Board's Portion of Tax- able Value</u>	<u>Board's Per- centage</u>	<u>Entity's General Obligation Debt</u>	<u>Board's Portion of G.O. Debt</u>
Overlapping:					
State of Utah	\$193,023,216,539	\$596,287,643	0.3%	\$3,487,680,000	\$10,463,040
Garfield County (2) ..	596,287,643	596,287,643	100.0	951,000	<u>0</u>
Total Overlapping					<u>10,463,040</u>
Underlying:					
CUWCD (3)	112,903,951,239	596,287,643	0.5	282,744,348	1,413,722
Panguitch City (2)	65,435,270	65,435,270	100.0	1,782,763	<u>0</u>
Total Underlying					<u>1,413,722</u>
Total Overlapping and Underlying General Obligation Debt					<u>\$11,876,782</u>
Total Overlapping General Obligation Debt (Excluding the State) (4)					\$ 0
Total Direct General Obligation Bonded Indebtedness					<u>3,295,000</u>
Total Direct and Overlapping General Obligation Debt (Excluding the State) (4)					<u>\$3,295,000</u>

-
- (1) 2010 taxable values are preliminary and subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property.
 - (2) All or portions of these governmental entities outstanding general obligation debt are supported by user fee revenues from water or sewer. The District's portion of overlapping general obligation debt does not include "user fee revenue" supported general obligation debt.
 - (3) Central Utah Water Conservancy District ("CUWCD") outstanding general obligation bonds are limited ad valorem tax bonds. By law CUWCD may levy a tax rate of up to .000400 to pay for operation and maintenance expenses and any outstanding limited ad valorem tax bonds.
 - (4) The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

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Debt Ratios

The following table sets forth the ratios of general obligation debt that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the District, the estimated market value of such property and the population of the District. *The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.*

	To 2011 Estimated Taxable Value (1)	To 2011 Estimated Market Value (2)	To 2010 Population Estimate Per Capita (3)
Direct General Obligation Debt	0.55%	0.48%	\$634
Direct and Overlapping General Obligation Debt	0.55	0.48	634

- (1) Based on an estimated 2011 Taxable Value of \$596,287,643, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2011 Market Value of \$690,565,691, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on 2010 population estimate of 5,194 by the Utah Population Estimates Committee.

FINANCIAL INFORMATION REGARDING GARFIELD COUNTY SCHOOL DISTRICT

Five-Year Financial Summaries

The summaries contained herein were extracted from the District's basic financial statements for fiscal years 2011 through 2007. The summaries have not been audited. See "GARFIELD COUNTY SCHOOL DISTRICT FISCAL YEAR 2011 FINANCIAL REPORT" below.

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Garfield County School District

Statement of Net Assets

Governmental Activities

(This summary has not been audited)

	June 30				
	2011	2010	2009	2008	2007
Assets					
Cash and investments.....	\$ 4,413,279	\$ 4,085,321	\$ 3,740,009	\$ 2,767,202	\$ 3,425,359
Receivables:					
Property taxes.....	3,700,105	3,192,971	3,242,259	3,239,092	3,077,220
Other governments.....	386,741	378,173	326,065	564,555	198,118
Prepaid expenditures.....	11,000	-	-	-	-
Inventories.....	4,312	13,487	12,965	12,774	9,883
Bond issuance costs, net.....	49,563	10,150	14,935	19,720	24,505
Capital assets:					
Land, construction in progress.....	100,222	100,222	672,701	388,957	435,222
Other capital assets, net of accumulated depreciation.....	13,056,150	13,200,349	12,599,571	12,508,381	12,593,838
Total assets.....	<u>21,721,372</u>	<u>20,980,673</u>	<u>20,608,505</u>	<u>19,500,681</u>	<u>19,764,145</u>
Liabilities:					
Accounts payable.....	213,947	79,959	480,225	429,791	340,406
Accrued interest.....	9,897	15,369	16,686	20,869	23,699
Accrued salaries.....	789,250	942,238	617,697	572,508	546,995
Deferred revenue:					
Property taxes.....	3,640,377	3,139,349	3,139,349	3,139,115	3,047,715
Other governments.....	4,312	13,487	12,965	12,774	9,883
Noncurrent liabilities:					
Due within one year.....	985,185	925,954	854,510	807,975	799,141
Due in more than one year.....	3,453,325	4,380,163	5,055,658	5,152,413	5,956,138
Total liabilities.....	<u>9,096,293</u>	<u>9,496,519</u>	<u>10,177,090</u>	<u>10,135,445</u>	<u>10,723,977</u>
Net Assets:					
Invested in capital assets, net of related debt.....	9,155,538	8,418,398	7,773,589	7,139,777	6,472,358
Restricted for:					
School lunch.....	8,605	8,605	8,605	8,199	8,199
Student activities.....	220,298	219,497	165,098	159,039	-
Non K-12 programs.....	56,613	22,949	26,007	47,281	115,600
Capital projects.....	1,161,201	1,843,571	963,787	1,031,873	1,647,556
Debt service.....	1,677,190	1,098,706	1,696,933	730,783	459,508
Unrestricted.....	345,634	(127,572)	(202,604)	248,284	336,948
Total net assets.....	<u>\$ 12,625,079</u>	<u>\$ 11,484,154</u>	<u>\$ 10,431,415</u>	<u>\$ 9,365,236</u>	<u>\$ 9,040,169</u>

(Source: Information extracted from the District's Fiscal Years 2011 through 2007 Basic Financial Statements which have been audited.)

Garfield County School District

Statement of Activities

Total Governmental Activities

(This summary has not been audited)

	Net (Expense) Revenue and Changes in Net Assets				
	June 30				
	2011	2010	2009	2008	2007
Governmental activities:					
Instructional services.....	\$ (4,267,323)	\$ (3,956,422)	\$ (4,952,972)	\$ (6,231,947)	\$ (4,486,671)
Supporting services:					
Students.....	(186,966)	(160,722)	(127,567)	(117,225)	(71,839)
Instructional staff.....	(151,886)	(304,132)	130,011	134,775	118,410
District administration.....	(343,132)	(385,670)	(453,810)	(399,363)	(366,142)
School administration.....	(816,024)	(841,277)	(827,802)	(785,265)	(782,491)
Business.....	(396,756)	(369,628)	(370,092)	(332,121)	(229,140)
Operation and maintenance of facilities.....	(1,179,823)	(1,108,586)	(1,105,690)	(1,167,263)	(1,049,572)
Transportation.....	(292,447)	(361,318)	(221,872)	(76,100)	(142,178)
School lunch services.....	(49,569)	(89,880)	(81,949)	(121,650)	(92,803)
Interest on long-term liabilities.....	(181,934)	(251,431)	(249,316)	(280,252)	(308,652)
Total school district.....	<u>(7,865,860)</u>	<u>(7,829,066)</u>	<u>(8,261,059)</u>	<u>(9,376,411)</u>	<u>(7,411,078)</u>
General revenues:					
Property taxes levied for:					
General purposes.....	1,451,987	1,143,397	1,118,470	877,502	931,477
Transportation.....	177,631	189,356	191,946	86,199	88,050
Recreation.....	118,611	60,497	63,761	65,511	66,733
Debt service.....	1,074,952	1,186,350	1,247,320	1,208,073	1,298,971
Capital outlay.....	677,288	1,150,052	1,218,761	1,289,100	1,087,650
Federal and state aid not restricted to specific purposes.....	4,903,200	4,467,941	4,689,416	5,248,896	4,697,015
Earnings on investments.....	21,696	25,499	65,602	178,033	162,035
Miscellaneous.....	581,420	658,713	731,962	748,165	260,888
Total general revenues.....	<u>9,006,785</u>	<u>8,881,805</u>	<u>9,327,238</u>	<u>9,701,479</u>	<u>8,592,819</u>
Change in net assets.....	1,140,925	1,052,739	1,066,179	325,068	1,181,741
Net assets—beginning.....	<u>11,484,154</u>	<u>10,431,415</u>	<u>9,365,236</u>	<u>9,040,168</u>	<u>7,858,427</u>
Net assets—ending.....	<u>\$ 12,625,079</u>	<u>\$ 11,484,154</u>	<u>\$ 10,431,415</u>	<u>\$ 9,365,236</u>	<u>\$ 9,040,168</u>

This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete. For a detailed itemized report see “GARFIELD COUNTY SCHOOL DISTRICT BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011—Statement Of Activities Fiscal Year Ended June 30, 2011” below.

(Source: Information taken from the District’s basic financial statements. This summary itself has not been audited.)

Garfield County School District

Maintenance and Operation Fund—Balance Sheet

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2011	2010	2009	2008	2007
Assets					
Cash and investments.....	\$ 1,327,736	\$ 922,379	\$ 933,470	\$ 836,895	\$ 1,245,020
Accounts, taxes and grants receivable:					
Property taxes.....	1,351,580	1,140,976	1,154,147	1,111,549	840,952
Other governments.....	371,221	350,785	326,065	564,555	198,118
Total current assets.....	<u>\$3,050,537</u>	<u>\$2,414,140</u>	<u>\$2,413,682</u>	<u>\$2,512,999</u>	<u>\$2,284,090</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable.....	203,766	63,866	480,225	429,791	340,406
Accrued salaries.....	789,250	942,238	617,697	572,508	546,995
Deferred revenue:					
Property taxes.....	1,323,774	1,121,814	1,121,814	1,079,309	885,669
Total liabilities.....	<u>2,316,790</u>	<u>2,127,918</u>	<u>2,219,736</u>	<u>2,081,608</u>	<u>1,773,070</u>
Fund balances:					
Committed to:					
Undistributed reserve.....	170,000	170,000	170,000	170,000	170,000
Assigned to:					
Program balances.....	208,381	-	-	-	-
Unassigned:					
General fund.....	355,366	116,222	23,946	261,391	341,020
Total fund equity.....	<u>733,747</u>	<u>286,222</u>	<u>193,946</u>	<u>431,391</u>	<u>511,020</u>
Total liabilities and fund equity.....	<u>\$3,050,537</u>	<u>\$2,414,140</u>	<u>\$2,413,682</u>	<u>\$2,512,999</u>	<u>\$2,284,090</u>

(Source: Information extracted from the District's Fiscal Years 2011 through 2007 Basic Financial Statements which have been audited.)

Garfield County School District

Statement of Revenues, Expenditures and Changes in Fund Balances Maintenance and Operation Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2011	2010	2009	2008	2007
Revenues:					
Local sources:					
Property taxes.....	\$ 1,629,618	\$ 1,332,753	\$ 1,310,417	\$ 1,137,205	\$ 949,079
Earnings on investments.....	21,696	25,499	65,602	146,033	140,035
Other local.....	209,857	213,956	150,537	116,012	232,898
State sources.....	6,042,200	6,153,222	6,549,829	7,151,843	6,639,133
Federal sources.....	1,410,587	1,724,994	1,869,106	562,225	553,897
Total revenues.....	9,313,958	9,450,424	9,945,491	9,113,318	8,515,042
Expenditures:					
Instruction.....	5,642,940	6,032,576	6,916,525	6,755,143	5,541,234
Support services:					
Students.....	240,638	214,986	204,422	192,376	145,330
Instructional staff.....	151,886	304,132	96,235	90,685	79,421
General administration.....	316,482	359,720	427,960	369,713	339,289
School administration.....	804,974	831,703	820,572	796,822	792,667
Business.....	396,236	369,168	369,642	331,271	228,390
Operation and maintenance of plant.....	1,170,273	1,102,076	1,099,490	1,160,618	1,045,538
Student transportation.....	395,293	555,191	477,390	375,919	466,998
Total expenditures.....	9,118,722	9,769,552	10,412,236	10,072,547	8,638,867
Excess of revenues over (under) expenditures.....	195,236	(319,128)	(466,745)	(959,229)	(123,825)
Other financing sources:					
Operating transfers in (out).....	252,289	173,404	119,000	879,600	(92,000)
Capital lease proceeds.....	-	238,000	110,300	-	70,820
Total other financing sources.....	252,289	411,404	229,300	879,600	(21,180)
Excess of revenues and other financing sources over (under) expenditures.....	447,525	92,276	(237,445)	(79,629)	(145,005)
Fund balance—beginning of year.....	286,222	193,946	431,391	511,020	656,025
Fund balance—end of year.....	\$ 733,747	\$ 286,222	\$ 193,946	\$ 431,391	\$ 511,020

(Source: Information extracted from the District's Fiscal Years 2011 through 2007 Basic Financial Statements which have been audited.)

Historical Tax Rates

	Maximum Tax Rate (1)	Tax Rate				
		2011-12	2010-11	2009-10	2008-09	2007-08
Maintenance and Operation (General Fund):						
Basic Program (2)	formula	.001591	.001495	.001433	.001250	.001311
Voted Leeway (3).....	.000000	.000000	.000000	.000000	.000000	.000000
Board Voted Leeway (4).....	.000400	.000324	.000327	.000331	.000317	.000329
K-3 Reading Program .....	.000121	.000123	.000124	.000126	.000121	.000121
Special Transportation (5).....	.000200	.000305	.000310	.000313	.000300	.000300
Tort Liability (6) .....	.000100	.000000	.000000	.000000	.000000	.000000
Recreation (7).....	none	.000204	.000207	.000100	.000096	.000100
Totals		<u>.002547</u>	<u>.002463</u>	<u>.002303</u>	<u>.002084</u>	<u>.002161</u>
Capital Outlay:						
Capital Outlay (8).....	.002400	.000551	.000556	.000563	.000539	.000559
10% of Additional Other (9)	formula	<u>.000887</u>	<u>.000892</u>	<u>.001012</u>	<u>.000969</u>	<u>.001020</u>
Totals		<u>.001438</u>	<u>.001448</u>	<u>.001575</u>	<u>.001508</u>	<u>.001579</u>
Judgment Recovery Levy (10).....	none	<u>.000000</u>	<u>.000000</u>	<u>.000000</u>	<u>.000000</u>	<u>.000000</u>
Debt Service (general obligation bonds):						
Debt Service (11).....	none	.001828	.001876	.001961	.001878	.002328
10% of Basic Program (12).....	formula	<u>.000320</u>	<u>.000322</u>	<u>.000326</u>	<u>.000312</u>	<u>.000323</u>
Total All Funds.....		<u>.006133</u>	<u>.006109</u>	<u>.006165</u>	<u>.005782</u>	<u>.006391</u>

- (1) Maximum tax rate where applicable under current State law.
- (2) Set by law for the District's portion of the State Minimum School Program.
- (3) General maintenance and operation revenue.
- (4) Restricted to class size reduction.
- (5) Funds hazardous bus routes.
- (6) Liability insurance premium.
- (7) Recreational activities plus teacher athletic/activity differential.
- (8) Construction remodeling projects and purchase of school sites/equipment, etc.
- (9) Construction remodeling projects and purchase of school sites/equipment, textbooks and supplies.
- (10) A "judgment levy" can be levied for the purpose of collecting additional revenues. The Board has the legal right to levy a "Judgment Levy" in the succeeding tax year to make up for any tax revenue shortfall due to tax or re-valuation "judgment" circumstances that the Board had no control over.
- (11) This maximum limitation is not applicable to levies made to provide for payment of the principal of and interest on general obligation bonds authorized by vote of school district electors.
- (12) Payment of the principal of and interest on general obligation bonds authorized by vote of school district electors.

(Source: The District.)

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Taxable, Fair Market And Market Value Of Property

<u>Year</u>	<u>Taxable Value</u>	<u>% Change Over Prior Year</u>	<u>Fair Market/Market Value (1)</u>	<u>% Change Over Prior Year</u>
2011 (2).....	\$596,287,643	1.2%	\$690,565,691	1.2%
2010	588,984,974	4.1	682,079,685	4.2
2009	566,046,421	(4.8)	654,496,996	(3.8)
2008	594,753,850	23.1	680,311,974	20.9
2007	483,318,788	19.4	562,654,946	19.8
2006	404,699,062	10.5	469,646,887	9.8

- (1) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act.
(2) Preliminary; subject to change. Utah State Tax Commission.

(Source: Property Tax Division, Utah State Tax Commission (as to Taxable Value only).)

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Historical Summaries Of Taxable Values Of Property

	2011		2010	2009	2008	2007
	Taxable Value (1)	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
<i>Set by State Tax Commission (Centrally Assessed)</i>						
Total centrally assessed.....	\$ 78,612,110	13.2 %	\$ 76,088,104	\$ 69,409,647	\$ 129,577,920	\$ 57,977,064
<i>Set by County Assessor (Locally Assessed)</i>						
Real property:						
Primary residential.....	115,000,000	19.3	113,553,700	107,857,095	104,379,055	96,695,935
Other residential.....	177,310,858	29.7	177,931,015	176,508,450	163,112,310	142,671,880
Commercial and industrial.....	87,000,000	14.6	84,216,245	71,203,420	61,458,810	60,792,150
FAA.....	7,000,000	1.2	6,550,695	6,574,430	6,557,835	6,479,235
Unimproved non FAA.....	108,000,000	18.1	107,001,895	109,715,030	109,014,520	99,206,600
Agricultural.....	8,000,000	1.3	8,278,645	8,721,265	8,850,390	8,341,545
Total real property.....	502,310,858	84.2	497,532,195	480,579,690	453,372,920	414,187,345
Personal property:						
Primary mobile homes.....	228,725	0.0	228,725	249,160	191,985	270,480
Secondary mobile homes.....	17,425	0.0	17,425	17,425	45,945	82,680
Other business personal.....	15,118,525	2.5	15,118,525	15,790,499	11,565,080	10,801,219
Total personal property.....	15,364,675	2.6	15,364,675	16,057,084	11,803,010	11,154,379
Total locally assessed.....	517,675,533	86.8	512,896,870	496,636,774	465,175,930	425,341,724
Total taxable value.....	\$ 596,287,643	100.0 %	\$ 588,984,974	\$ 566,046,421	\$ 594,753,850	\$ 483,318,788

(1) Preliminary; subject to change.

(Source: Property Tax Division, Utah State Tax Commission.)

Tax Collection Record

Tax Year End 12/31	Total Taxes Levied	(1) Treasurer's Relief	Net Taxes Assessed	Current Collections	(2) Delinquent, Personal Property and Miscellaneous Collections	(3) Total Collections	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed
2010	\$3,599,423	\$9,747	\$3,589,676	\$3,256,593	\$298,349	\$3,554,942	90.7%	99.0%
2009	3,483,551	40,168	3,443,383	3,194,882	290,732	3,485,614	92.8	101.2
2008	3,445,193	36,059	3,409,134	3,153,990	331,192	3,485,182	92.5	102.2
2007	3,015,662	40,745	2,974,917	2,908,334	304,865	3,213,199	97.8	108.0
2006	3,036,590	10,629	3,025,961	2,859,945	312,751	3,172,696	94.5	104.8

- (1) Treasurer's Relief includes abatements. These Treasurer's Relief items are levied against the property, but are never collected and paid to the entity.
- (2) Delinquent Collections include interest; sales of real and personal property; and miscellaneous delinquent collections.
- (3) The Board collected Uniform Fees (fees-in-lieu payments) for tax year 2010 of \$289,915; for tax year 2009 of \$307,558; for tax year 2008 of \$324,828; for tax year 2007 of \$332,008; and for tax year 2006 of \$313,942; from tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State.

(Source: Taken from audited financial statements of the County for the indicated years.)

Some Of The Largest Taxpayers

Taxpayer	Type of Business	2011 Taxable Value (1)	% of the Board's 2011 Taxable Value
Ruby's Inn Inc.....	Motel	\$39,332,472	6.6%
Citation Oil and Gas Corp.....	Mining	24,634,170	4.1
Garkane Energy Cooperative Inc.....	Utilities	14,097,115	2.4
Denison Mines (USA) Corp.....	Mining	10,037,000	1.7
South Central Utah Telephone.....	Telephone utility	8,104,410	1.4
Uranium One.....	Mining and exploration	4,701,520	0.8
Pacificorp.....	Electric utility	4,543,705	0.8
Citation Oil and Gas Corp.....	Mining and exploration	3,856,315	0.6
Poli-Gold LLC (2).....	Real estate developer	2,533,470	0.4
Questar.....	Gas utility	<u>2,149,820</u>	0.4
Totals.....		<u>\$113,989,997</u>	19.1%

- (1) Taxable Value used in this table *excludes* all tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State. See "Taxable, Fair Market And Market Value Of Property" above.
- (2) Currently delinquent in paying 2011 property taxes.

(Source: County Assessor.)

GARFIELD COUNTY SCHOOL DISTRICT FISCAL YEAR 2011 FINANCIAL REPORT

The Financial Report For Fiscal Year 2011 is contained herein. Copies of current and prior financial reports are available upon request from the contact person as indicated under “GENERAL—Contact Persons For The School District” above.

Additionally, the Board’s present and historical Financial Reports may be found on the “world wide web” at the State of Utah, State Auditor’s internet site at:

www.sao.utah.gov/lgReports.html

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GARFIELD COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

GARFIELD COUNTY SCHOOL DISTRICT
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GARFIELD COUNTY SCHOOL DISTRICT

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GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Garfield County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield 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 Garfield 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 a report dated November 22, 2011, on our consideration of Garfield County School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants 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 read 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 budget schedules and the combining and individual fund financial statements 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 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.

A handwritten signature in cursive script that reads "Gilbert & Stewart".

GILBERT & STEWART
Certified Public Accountants

November 22, 2011

GARFIELD COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Garfield 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 *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 10 through 11 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 government's near-term financing requirements.

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

The District maintains 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 12 to 16 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. The basic fiduciary fund financial statement can be found on page 17 of this report.

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 19 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 39 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 \$12,625,079 at June 30, 2011. Below is a summary of the District's assets, liabilities, and net assets.

GARFIELD COUNTY SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Total Change 2010-2011
	2011	2010	
Current and other assets	\$ 8,565,000	\$ 7,680,102	\$ 884,898
Capital assets	13,156,372	13,300,571	(144,199)
Total assets	<u>\$ 21,721,372</u>	<u>\$ 20,980,673</u>	<u>\$ 740,699</u>
Current and other liabilities	\$ 4,657,783	\$ 4,190,402	\$ 467,381
Noncurrent liabilities	4,438,510	5,306,117	(867,607)
	<u>9,096,293</u>	<u>9,496,519</u>	<u>(400,226)</u>
Net Assets:			
Invested in capital assets net of related debt	9,155,538	8,418,398	737,140
Restricted	3,123,907	3,193,328	(69,421)
Unrestricted	345,634	(127,572)	473,206
	<u>\$ 12,625,079</u>	<u>\$ 11,484,154</u>	<u>\$ 1,140,925</u>

The largest portion of the District's net assets (73%) 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 (25%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets is 2%. These resources may be used to meet the District's ongoing obligations to students, employees, and creditors. The negative balance is primarily a result of the District's accrual for post-employment benefits. More information concerning post-employment benefits can be found in the footnotes to the financial statements. However, the unrestricted net asset amount has been earmarked for the following purposes:

- Committed for Undistributed Reserve

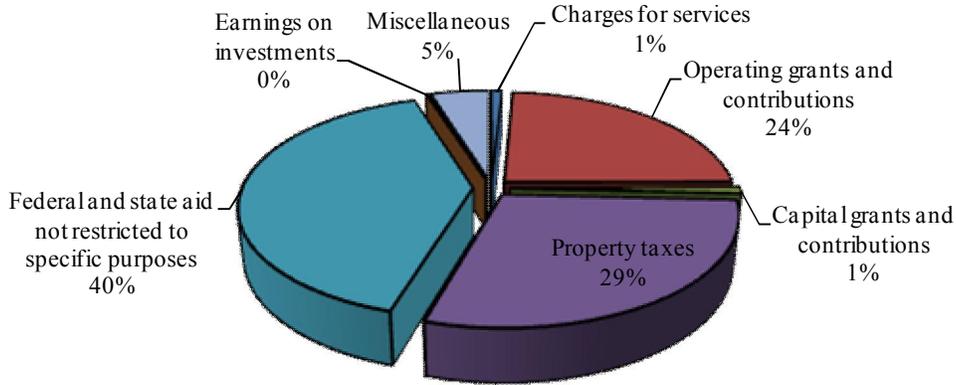
As allowed by law, the District has established an *undistributed reserve* of \$170,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries.

As of June 30, 2011, the District is able to report positive balances in two 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.

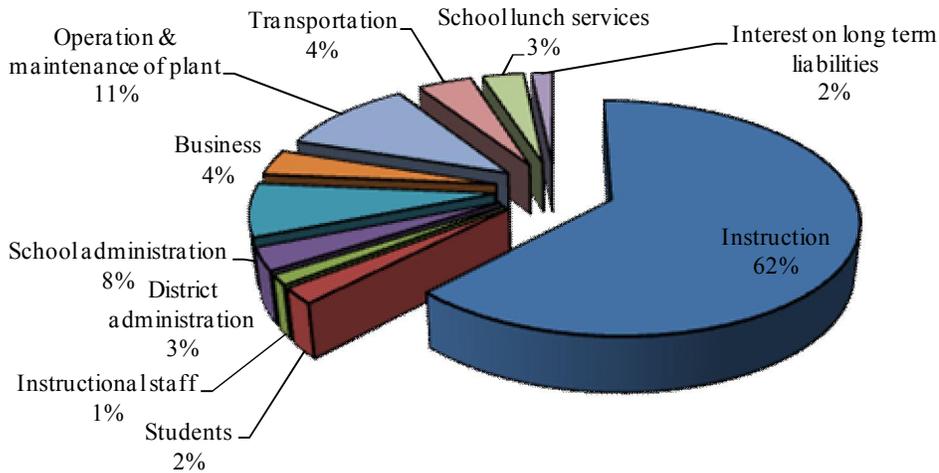
GARFIELD COUNTY SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities		Total Change 2010-2011
	2011	2010	
Revenues:			
Program revenues:			
Charges for services	\$ 103,725	\$ 104,908	\$ (1,183)
Operating grants and contributions	2,918,115	3,787,410	(869,295)
Capital grants and contributions	100,000	100,000	-
General Revenues:			
Property taxes	3,500,469	3,840,258	(339,789)
Federal and state aid not restricted to specific purposes	4,903,200	4,689,416	213,784
Earnings on investments	21,696	65,602	(43,906)
Miscellaneous	581,420	731,962	(150,542)
Total revenues	<u>12,128,625</u>	<u>13,319,556</u>	<u>(1,190,931)</u>
Expenses:			
Instruction	6,844,653	8,306,544	(1,461,891)
Support services:			
Students	240,638	204,422	36,216
Instructional staff	151,886	96,235	55,651
District administration	343,132	453,810	(110,678)
School administration	816,024	847,487	(31,463)
Business	396,756	370,092	26,664
Operation & maint. of plant	1,179,823	1,105,690	74,133
Transportation	471,244	530,041	(58,797)
School lunch services	361,610	422,490	(60,880)
Interest on long term liabilities	181,934	249,316	(67,382)
Total expenses	<u>10,987,700</u>	<u>12,586,127</u>	<u>(1,598,427)</u>
Changes in net assets	1,140,925	733,429	407,496
Net assets, beginning	11,484,154	9,365,236	2,118,918
Net assets, ending	<u>\$ 12,625,079</u>	<u>\$ 10,098,665</u>	<u>\$ 2,526,414</u>

**Garfield School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2011**



**Garfield School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2011**



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 \$355,366 while the total fund balance was \$733,747. The unassigned fund balance increased by \$239,144 while the total fund balance also increased by \$47,525 during the fiscal year. Annual expenditures in the general fund were \$204,881 less than the final budgeted amounts, and resources available for appropriation were \$73,060 less than final budgeted amounts.

The *capital projects fund* has a total fund balance of \$1,677,190, of which \$1,677,190 is restricted for acquisition of capital assets and related expenditures. The fund balance decreased by \$166,381 during the fiscal year.

The *debt service fund* has a total fund balance of \$1,171,098, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$57,023 during the fiscal year.

The *non K-12 programs special revenue fund* has a total fund balance of \$56,613. 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 *school lunch special revenue fund* has a total fund balance of \$8,605. This balance is within the total allowed by state guidelines and is restricted to food service programs.

The *student activity fund* has a total fund balance of \$220,298. This balance is within the total allowed by state guidelines and is restricted to expenditures for student activities.

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:

GARFIELD COUNTY SCHOOL DISTRICT'S CAPITAL ASSETS
(Net of Accumulated Depreciation)

	2011	2010	Total Change 2010-2011
Land	\$ 100,222	\$ 100,222	\$ -
Buildings	12,209,300	12,454,717	(245,417)
Furniture and Equipment	846,850	745,632	101,218
	\$ 13,156,372	\$ 13,300,571	\$ (144,199)

Debt Administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2011 was approximately \$24,000,000 while the general obligation debt at that date was \$3,295,000 resulting in a legal debt margin of approximately \$20,705,000.

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 Garfield 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, Garfield County School District, 145 East Center Street, Panguitch, Utah 84759.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
Assets:	
Cash and investments	\$ 4,413,279
Receivables:	
Property taxes	3,700,105
Other governments	386,741
Prepaid Expenditures	11,000
Inventories	4,312
Bond issuance costs, net	49,563
Capital assets:	
Land and Construction in Progress	100,222
Other capital assets, net of accumulated depreciation	13,056,150
Total assets	21,721,372
Liabilities:	
Accounts payable	213,947
Accrued interest	9,897
Accrued salaries	789,250
Deferred revenue:	
Property taxes	3,640,377
Other governments	4,312
Noncurrent liabilities:	
Due within one year	985,185
Due in more than one year	3,453,325
Total liabilities	9,096,293
Net Assets:	
Invested in capital assets, net of related debt	9,155,538
Restricted for:	
School lunch	8,605
Student activities	220,298
Non K-12 programs	56,613
Debt service	1,161,201
Capital projects	1,677,190
Unrestricted	345,634
Total net assets	\$ 12,625,079

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

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Assets:					
Cash and investments	\$ 1,327,736	\$ 1,152,756	\$ 1,654,634	\$ 278,153	\$ 4,413,279
Receivables:					
Property taxes	1,351,580	1,021,599	976,945	349,981	3,700,105
Other governments	371,221	-	-	15,520	386,741
Other receivables	-	-	11,000	-	11,000
Inventory	-	-	-	4,312	4,312
Total assets	\$ 3,050,537	\$ 2,174,355	\$ 2,642,579	\$ 647,966	\$ 8,515,437
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 203,766	\$ -	\$ -	\$ 10,181	\$ 213,947
Accrued salaries	789,250	-	-	-	789,250
Deferred revenue:					
Property taxes	1,323,774	1,003,257	965,389	347,957	3,640,377
Other governments	-	-	-	4,312	4,312
Local sources	-	-	-	-	-
Total liabilities	2,316,790	1,003,257	965,389	362,450	4,647,886
Fund Balances:					
Restricted for:					
Debt service	-	1,171,098	-	-	1,171,098
Capital outlay	-	-	1,677,190	-	1,677,190
Food services	-	-	-	8,605	8,605
Committed to:					
Undistributed reserve	170,000	-	-	-	170,000
Schools	-	-	-	220,298	220,298
Other	-	-	-	56,613	56,613
Assigned to:					
Program balances	208,381	-	-	-	208,381
Unassigned:					
General fund	355,366	-	-	-	355,366
Total fund balances	733,747	1,171,098	1,677,190	285,516	3,867,551
Total liabilities and fund balances	\$ 3,050,537	\$ 2,174,355	\$ 2,642,579	\$ 647,966	\$ 8,515,437

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

GARFIELD 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 **\$ 3,867,551**

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	\$ 100,222	
Buildings and improvements, net of \$8,763,030 accumulated depreciation	12,209,300	
Furniture and equipment, net of \$1,586,524 accumulated depreciation	846,850	13,156,372

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$9,311 and accrued interest for obligations under capital leases is \$586. (9,897)

Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$70,138 and accumulated amortization is \$20,575: 49,563

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	(3,295,000)	
Unamortized premiums	(24,615)	
Obligations under capital leases	(256,318)	
Well note payable	(424,901)	
Accrued sick pay	(215,842)	
Early retirement payable	(221,834)	(4,438,510)

Total net assets of governmental activities **\$ 12,625,079**

GARFIELD 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	\$ 1,629,618	\$ 1,074,952	\$ 677,288	\$ 118,611	\$ 3,500,469
Earnings on investments	21,696	-	-	-	21,696
School lunch sales	-	-	-	86,656	86,656
Other local sources	209,857	-	11,000	377,632	598,489
State aid	6,042,200	-	100,000	154,992	6,297,192
Federal aid	1,410,587	-	-	213,536	1,624,123
Total revenues	<u>9,313,958</u>	<u>1,074,952</u>	<u>788,288</u>	<u>951,427</u>	<u>12,128,625</u>
Expenditures:					
Current:					
Instructional services	5,642,940	-	4,226	604,921	6,252,087
Supporting services:					
Students	240,638	-	-	-	240,638
Instructional staff	151,886	-	-	-	151,886
District administration	316,482	-	-	-	316,482
School administration	804,974	-	-	-	804,974
Business	396,236	-	-	-	396,236
Operation and maintenance of facilities	1,170,273	-	-	-	1,170,273
Transportation	395,293	-	-	-	395,293
School lunch services	-	-	-	359,752	359,752
Capital outlay	-	-	554,489	-	554,489
Debt service:					
Principal retirement	-	2,030,000	95,954	-	2,125,954
Bond issuance costs	-	45,138	-	-	45,138
Interest and fiscal charges	-	187,930	-	-	187,930
Total expenditures	<u>9,118,722</u>	<u>2,263,068</u>	<u>654,669</u>	<u>964,673</u>	<u>13,001,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>195,236</u>	<u>(1,188,116)</u>	<u>133,619</u>	<u>(13,246)</u>	<u>(872,507)</u>
Other financing sources (uses):					
Transfers	252,289	-	(300,000)	47,711	-
Bond proceeds	-	1,220,000	-	-	1,220,000
Bond premium	-	25,139	-	-	25,139
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>252,289</u>	<u>1,245,139</u>	<u>(300,000)</u>	<u>47,711</u>	<u>1,245,139</u>
Net change in fund balances	447,525	57,023	(166,381)	34,465	372,632
Fund balances - beginning	<u>286,222</u>	<u>1,114,075</u>	<u>1,843,571</u>	<u>251,051</u>	<u>3,494,919</u>
Fund balances - ending	<u>\$ 733,747</u>	<u>\$ 1,171,098</u>	<u>\$ 1,677,190</u>	<u>\$ 285,516</u>	<u>\$ 3,867,551</u>

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

GARFIELD 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 **\$ 372,632**

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.

Capital outlays	\$ 375,141	
Depreciation expense	<u>(519,340)</u>	(144,199)

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.

Principal payments of capital leases	<u>95,954</u>	95,954
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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:

General obligation bond proceeds	(1,220,000)	
Bond premium	(25,139)	
Bond issuance costs	45,138	
Repayment of bond principal	2,030,000	
Interest expense - general obligation bonds	5,472	
Amortization of bond issuance costs	(5,725)	
Amortization of bond premium	<u>524</u>	830,270

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued sick pay increased by \$5,200, and early retirement payable increased \$8,532. (13,732)

Change in net assets of governmental activities		<u><u>\$ 1,140,925</u></u>
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GARFIELD 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	\$ 1,502,768	\$ 1,624,814	\$ 1,629,618	\$ 4,804
Earnings on investments	25,000	21,514	21,696	182
Other local sources	52,000	195,928	209,857	13,929
State aid	6,365,775	6,005,743	6,042,200	36,457
Federal aid	1,080,400	1,392,899	1,410,587	17,688
Total revenues	<u>9,025,943</u>	<u>9,240,898</u>	<u>9,313,958</u>	<u>73,060</u>
Expenditures:				
Current:				
Instructional services	5,765,622	5,742,476	5,642,940	99,536
Supporting services:				
Students	227,050	240,641	240,638	3
Instructional staff	133,590	157,210	151,886	5,324
District administration	337,479	319,403	316,482	2,921
School administration	822,629	823,028	804,974	18,054
Business	426,483	397,429	396,236	1,193
Operation and maintenance of facilities	1,258,311	1,243,846	1,170,273	73,573
Transportation	304,452	399,570	395,293	4,277
Other	-	-	-	-
Total expenditures	<u>9,275,616</u>	<u>9,323,603</u>	<u>9,118,722</u>	<u>204,881</u>
Excess of revenues over expenditures	(249,673)	(82,705)	195,236	277,941
Other financing sources (uses):				
Capital lease proceeds		-	-	-
Transfer in	917,097	434,825	300,000	(134,825)
Transfer out	(257,553)	(52,120)	(47,711)	4,409
Net change in fund balances	409,871	300,000	447,525	147,525
Fund balances - beginning	<u>286,222</u>	<u>286,222</u>	<u>286,222</u>	<u>-</u>
Fund balances - ending	<u>\$ 696,093</u>	<u>\$ 586,222</u>	<u>\$ 733,747</u>	<u>\$ 147,525</u>

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

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 137,082
Total Cash and investments	<u>\$ 137,082</u>
Liabilities	
Due to (From) other government agencies	<u>\$ 137,082</u>
Total liabilities	<u>\$ 137,082</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Garfield 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. As required by GAAP, these financial statements present 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.

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.

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

The *fund financial statements* provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental, proprietary, 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 *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- 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 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 receipts and expenditures associated with student activities and fees at the school level.

Additionally, the District reports the following fund type:

- The District also is the fiscal agent for skills certification testing for the Utah State Office of Education. These funds are also accounted for in the *agency funds*.

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

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 except the Garfield County Foundation for Excellence special revenue fund. 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.

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

- 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.
- 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 reappropriated 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.

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

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 Pool (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 revenue and expenditure 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.

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

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 (of which on half of accumulated days will be paid 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.

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

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

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

- **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 State Money Management 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:

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

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2011</u>
Regular Checking Account	Insured	\$ 497,948
Regular Checking Account	Uninsured and collateralized	<u>570,917</u>
		<u>\$1,068,865</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. The Public Treasurer's Investment Fund is not rated. 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>\$3,757,970</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.

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

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 Garfield 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.

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

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 100,222	\$ -	\$ -	\$ 100,222
Total capital assets, not being depreciated	<u>100,222</u>	<u>-</u>	<u>-</u>	<u>100,222</u>
Capital assets, being depreciated:				
Buildings and improvements	20,842,910	129,420	-	20,972,330
Furniture and equipment	<u>2,187,653</u>	<u>245,721</u>	<u>-</u>	<u>2,433,374</u>
Total capital assets, being depreciated	<u>23,030,563</u>	<u>375,141</u>	<u>-</u>	<u>23,405,704</u>
Accumulated depreciation for:				
Buildings and improvements	(8,388,193)	(374,837)	-	(8,763,030)
Furniture and equipment	<u>(1,442,021)</u>	<u>(144,503)</u>	<u>-</u>	<u>(1,586,524)</u>
Total accumulated depreciation	<u>(9,830,214)</u>	<u>(519,340)</u>	<u>-</u>	<u>(10,349,554)</u>
Total capital assets, being depreciated, net	<u>13,200,349</u>	<u>(144,199)</u>	<u>-</u>	<u>13,056,150</u>
Governmental activities capital assets, net	<u>\$ 13,300,571</u>	<u>\$ (144,199)</u>	<u>\$ -</u>	<u>\$ 13,156,372</u>

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

Governmental activities:	
Instructional services	\$ 401,111
Supporting services:	
District administration	26,650
School administration	4,500
Business	520
Operation and maintenance of facilities	8,750
Transportation	75,951
Central	-
School lunch services	<u>1,858</u>
Total depreciation expense, governmental activities	<u>\$ 519,340</u>

GARFIELD 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.

In the State and School Noncontributory Retirement System the Garfield 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 Noncontributory Retirement System contributions for June 30, 2011, 2010 and 2009 were \$751,411, \$766,074, and \$754,106 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 \$72,196, \$92,052, and \$97,939 respectively; the employee contributions for the years ending June 30, 2011, 2010, and 2009 were \$138,235, \$145,642, and \$130,583 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.

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

Early Retirement Incentive Plan – The District has an early retirement incentive plan that the District administers. Expenditures under the plan are expected to be made from current operations and the plan is not funded.

To qualify for the plan the employee must meet certain criteria as described in the plan, including 15 years consecutive years as a benefited employee of the District along with other requirements.

Eligible employees under the plan may receive a **20% annuity benefit** on a monthly or annual basis that is equal to twenty percent (20%) of the average of the highest three years of the last 10 years of qualifying service. This benefit is for a maximum of five years or until the employee is eligible to receive unreduced social security benefits. This annuity can pay for increases in health insurance costs for as long as they are eligible.

Eligible employees under the plan may receive a health insurance benefit for payment of insurance capped at the premium rate paid for their last year of employment for five years or until the employee becomes eligible for Medicare.

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.

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

7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 4,105,000	\$ 1,220,000	\$ (2,030,000)	\$ 3,295,000	\$ 885,000
Deferred amounts for issuance premium	-	25,139	(524)	24,615	-
Total bonds payable, net	4,105,000	1,245,139	(2,030,524)	3,319,615	885,000
Obligations under capital leases	337,463	-	(81,145)	256,318	84,474
Well note payable	439,710	-	(14,809)	424,901	15,711
Accrued vacation or sick pay	210,642	5,200	-	215,842	-
Post employment benefit payable	213,302	8,532	-	221,834	-
Total governmental activity long-term liabilities	<u>\$ 5,306,117</u>	<u>\$ 1,258,871</u>	<u>\$ (2,126,478)</u>	<u>\$ 4,438,510</u>	<u>\$ 985,185</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Vacation and early retirement benefits will be paid by the fund in which the employee worked.

General Obligation Bonds - The District issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities. Outstanding general obligation bonds at June 30, 2011 are as follows:

	Rates	Maturity Dates	Balance
Series 2002 Dated February 15, 2002 - Original Amount \$5,375,000	3.00% to 4.625%	2015	\$ 2,075,000
Series 2011 Dated May 15, 2011 - Original Amount \$1,220,000	2.00%	2014	<u>1,220,000</u>
Total			<u>\$ 3,295,000</u>

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

The debt service requirements to maturity for the general obligation bonds are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 885,000	\$ 118,766	\$ 1,003,766
2013	915,000	88,013	1,003,013
2014	940,000	57,719	997,719
2015	<u>555,000</u>	<u>25,669</u>	<u>580,669</u>
Total	<u>\$3,295,000</u>	<u>\$ 290,167</u>	<u>\$3,585,167</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2011 is approximately \$24,000,000. General obligation debt at June 30, 2011 is \$3,295,000, resulting in a legal debt margin of approximately \$20,705,000.

Advance Refunding - During the year, the District issued general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,200,000 (the outstanding principal balance at year end) of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from financial statements. The annual cash flow savings is \$11,232 with an economic benefit from the transaction of \$69,963.

Well Note Payable – In a prior year the District obtained a note from the Utah Division of Water Resources in conjunction with the construction of a well. The face amount of the note is \$459,000 and bears an interest rate of 3 percent (3%). The note is payable in annual installments of \$28,000 for 23 years with a final maturity in 2031. The payment schedule is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,253	\$ 12,747	\$ 28,000
2013	15,711	12,289	28,000
2014	16,182	11,818	28,000
2015	16,667	11,333	28,000
2016	17,167	10,833	28,000
2017-2021	93,878	46,122	140,000
2022-2026	108,830	31,170	140,000
2027-2031	126,164	13,836	140,000
2031-2032	<u>15,049</u>	<u>451</u>	<u>15,500</u>
Total	<u>\$ 424,901</u>	<u>\$ 150,599</u>	<u>\$ 575,500</u>

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

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	\$ 84,474	\$ 9,866	\$ 94,340
2013	71,530	6,408	77,938
2014	49,261	3,631	52,892
2015	<u>51,053</u>	<u>1,848</u>	<u>52,901</u>
Total	<u>\$ 256,318</u>	<u>\$ 21,753</u>	<u>\$ 278,071</u>

8. COMMITTED TO 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.

10. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The District had expenditures in excess of appropriations in the following funds:

School Lunch Fund	\$ 33,466
Debt Service Fund	1,245,137

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

11. INTER FUND RECEIVABLES, PAYABLES, TRANSFERS AND DEFERRED REVENUE

During the year the fund transfers were made as normal course of operations and cash flows of the District. These transfers were eliminated at the on the entity-wide statements. A summary of the transfers is as follows:

Fund	Transfer Out	Transfer In
General Fund	\$ (47,711)	\$ 300,000
Food Service Fund	-	47,711
Capital Projects Fund	(300,000)	-
Total Fund Transfers	<u>\$ (347,711)</u>	<u>\$ 347,711</u>

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	\$ -	\$ 1,323,774
Property Tax Receivable - Debt Service	-	1,003,257
Property Tax Receivable - Capital Projects Fund	-	956,389
Property Tax Receivable - Non K-12 Fund	-	347,957
Other - Food Services	-	4,312
Total deferred/unearned revenue for govtl funds	<u>\$ -</u>	<u>\$ 3,635,689</u>

12. LITIGATION AND CLAIMS

As a result of normal operating activities, the District has potential claims and outstanding litigation. The ultimate outcome is unknown at the balance sheet date.

REQUIRED SUPPLEMENTARY INFORMATION

GARFIELD 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	\$ -	\$ 3,078,679	\$ 3,078,679	0.00%	\$ 1,697,095	181.41%

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.

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

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 by a recreation tax levy and student fees. This annual property tax levy is authorized by Utah Code 11-2-7 and does not have a maximum statutory rate. Fees charged to the user provide additional funds as necessary.

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

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	<u>School Lunch</u>	<u>Student Activity Fund</u>	<u>Non K-12 Programs</u>	
Assets:				
Cash and investments	\$ 8,605	\$ 220,298	\$ 49,250	\$ 278,153
Receivables:				
Property taxes	-	-	349,981	349,981
Other governments	-	-	15,520	15,520
Inventory	4,312	-	-	4,312
Due from other funds	-	-	-	-
Total assets	<u>\$ 12,917</u>	<u>\$ 220,298</u>	<u>\$ 414,751</u>	<u>\$ 647,966</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 10,181	\$ 10,181
Deferred revenue:				
Property taxes	-	-	347,957	347,957
Other governments	4,312	-	-	4,312
Local sources	-	-	-	-
Total liabilities	<u>4,312</u>	<u>-</u>	<u>358,138</u>	<u>362,450</u>
Fund balances:				
Restricted for:				
Food services	8,605			8,605
Committed to:				
Schools		220,298		220,298
Other			56,613	56,613
Unassigned	-	-	-	-
Total fund balances	<u>8,605</u>	<u>220,298</u>	<u>56,613</u>	<u>285,516</u>
Total liabilities and fund balances	<u>\$ 12,917</u>	<u>\$ 220,298</u>	<u>\$ 414,751</u>	<u>\$ 647,966</u>

GARFIELD 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
	<u>School Lunch</u>	<u>Student Activity Fund</u>	<u>Non K-12 Programs</u>	
Revenues:				
Property tax	\$ -	\$ -	\$ 118,611	\$ 118,611
Student fees	-	349,852	24,780	374,632
Lunch sales	86,656	-	-	86,656
Other local revenues	-	-	3,000	3,000
State aid	33,516	-	121,476	154,992
Federal aid	191,869	-	21,667	213,536
Total revenues	<u>312,041</u>	<u>349,852</u>	<u>289,534</u>	<u>951,427</u>
Expenditures:				
Current:				
Instructional services	-	349,051	255,870	604,921
School lunch services	359,752	-	-	359,752
Total expenditures	<u>359,752</u>	<u>349,051</u>	<u>255,870</u>	<u>964,673</u>
Excess of revenues over expenditures	(47,711)	801	33,664	(13,246)
Other financing sources:				
Transfer in	47,711	-	-	47,711
Transfers out	-	-	-	-
Net change in fund balances	<u>-</u>	<u>801</u>	<u>33,664</u>	<u>34,465</u>
Fund balances - beginning	<u>8,605</u>	<u>219,497</u>	<u>22,949</u>	<u>251,051</u>
Fund balances - ending	<u>\$ 8,605</u>	<u>\$ 220,298</u>	<u>\$ 56,613</u>	<u>\$ 285,516</u>

GARFIELD 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			2010
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Lunch sales - children	\$ 80,588	\$ 81,774	\$ 1,186	\$ 83,568
Lunch sales - adult	4,022	4,074	52	5,123
Other local sales	807	808	1	-
Total local sources	<u>85,417</u>	<u>86,656</u>	<u>1,239</u>	<u>88,691</u>
State sources:				
State lunch program	34,853	33,516	(1,337)	34,853
Total state sources	<u>34,853</u>	<u>33,516</u>	<u>(1,337)</u>	<u>34,853</u>
Federal sources:				
Federal lunch program	21,352	22,114	762	21,352
Free and reduced assistance	113,891	111,841	(2,050)	113,891
Breakfast program	18,492	18,990	498	18,492
Other	-	38,924	38,924	17,615
Total federal sources	<u>153,735</u>	<u>191,869</u>	<u>38,134</u>	<u>171,350</u>
Total revenues	<u>274,005</u>	<u>312,041</u>	<u>38,036</u>	<u>294,894</u>
Expenditures:				
Current:				
Salaries	143,842	143,842	-	170,141
Employee benefits	57,094	57,092	2	76,582
Purchased services	3,575	3,374	201	2,814
Supplies	949	949	-	1,418
Food	120,826	154,495	(33,669)	132,463
Other	-	-	-	1
Total expenditures	<u>326,286</u>	<u>359,752</u>	<u>(33,466)</u>	<u>383,419</u>
Excess (deficiency) of revenues over expenditures	(52,281)	(47,711)	4,570	(88,525)
Other financing sources and (uses)				
Transfers in	52,120	47,711	(4,409)	88,525
Transfers out	-	-	-	-
Net change in fund balances	(161)	-	-	-
Fund balances - beginning	8,605	8,605	-	8,605
Fund balances - ending	<u>\$ 8,444</u>	<u>\$ 8,605</u>	<u>\$ 161</u>	<u>\$ 8,605</u>

GARFIELD 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		Variance with Final Budget - Positive (Negative)	2010
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Local sources:				
Student Fees	\$ 450,000	\$ 349,852	\$ (100,148)	\$ 434,587
Earnings on investments			-	-
Total local sources	450,000	349,852	(100,148)	434,587
Total revenues	450,000	349,852	(100,148)	434,587
Expenditures:				
Current:				
Supplies and services	450,000	349,051	100,949	380,188
Total expenditures	450,000	349,051	100,949	380,188
Excess (deficiency) of revenues over (under) expenditures	-	801	801	54,399
Other financing sources:				
Transfer in	-	-	-	-
Net change in fund balances	-	801	801	54,399
Fund balances - beginning	219,497	219,497	-	165,098
Fund balances - ending	<u>\$ 219,497</u>	<u>\$ 220,298</u>	<u>\$ 801</u>	<u>\$ 219,497</u>

GARFIELD 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	\$ 118,404	\$ 118,611	\$ 207	\$ 60,497
Community fees	4,430	7,242	2,812	8,907
Tuitions and fees	17,537	17,538	1	13,470
Miscellaneous revenues	-	3,000	3,000	-
Total local sources	<u>140,371</u>	<u>146,391</u>	<u>6,020</u>	<u>82,874</u>
State sources:				
Adult high school completion	76,005	76,005	-	94,802
Preschool	45,471	45,471	-	38,212
Total state sources	<u>121,476</u>	<u>121,476</u>	<u>-</u>	<u>133,014</u>
Federal sources:				
Special education preschool grant	8,011	8,011	-	16,469
Adult education	13,656	13,656	-	21,449
Total federal sources	<u>21,667</u>	<u>21,667</u>	<u>-</u>	<u>37,918</u>
Total revenues	<u>283,514</u>	<u>289,534</u>	<u>6,020</u>	<u>253,806</u>
Expenditures:				
Current:				
Salaries	200,771	198,024	2,747	131,318
Employee benefits	59,114	45,445	13,669	44,443
Purchased services	8,358	7,532	826	14,864
Supplies	16,144	3,781	12,363	31,615
Equipment	-	-	-	32,406
Other	-	1,088	(1,088)	2,218
Total expenditures	<u>284,387</u>	<u>255,870</u>	<u>28,517</u>	<u>256,864</u>
Excess (deficiency) of revenues over (under) expenditures	(873)	33,664	34,537	(3,058)
Fund balances - beginning	<u>22,949</u>	<u>22,949</u>	<u>-</u>	<u>26,007</u>
Fund balances - ending	<u>\$ 22,076</u>	<u>\$ 56,613</u>	<u>\$ 34,537</u>	<u>\$ 22,949</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 accumulation of resources and payment of general obligation bond principal and interest. 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.

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.

GARFIELD COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service 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:				
Property tax	\$ 1,073,077	\$ 1,074,952	\$ 1,875	\$ 1,186,350
Earnings on investments	-	-	-	-
Total revenues	1,073,077	1,074,952	1,875	1,186,350
Expenditures:				
Debt service:				
Bond principal	830,000	2,030,000	(1,200,000)	800,000
Bond interest	184,431	184,430	1	249,248
Bond issuance costs	-	45,138	(45,138)	-
Paying agent fees	3,500	3,500	-	3,500
Total expenditures	1,017,931	2,263,068	(1,245,137)	1,052,748
Excess (deficiency) of revenues over (under) expenditures	55,146	(1,188,116)	(1,243,262)	133,602
Other financing sources (uses):				
Proceeds of refunding bonds	-	1,220,000	1,220,000	-
Bond premiums	-	25,139	25,139	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	-	1,245,139	1,245,139	-
Net change in fund balances	55,146	57,023	1,877	133,602
Fund balance - beginning	1,114,075	1,114,075	-	980,473
Fund balance - ending	\$ 1,169,221	\$ 1,171,098	\$ 1,877	\$ 1,114,075

GARFIELD 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	\$ 378,068	\$ 677,288	\$ 299,220	\$ 1,150,052
Earnings on investments	-	-	-	-
Other local revenues	-	11,000	11,000	4,010
Total local sources	378,068	688,288	310,220	1,154,062
State sources:				
Capital outlay foundation	100,000	100,000	-	100,000
Other	-	-	-	-
Total state sources	100,000	100,000	-	100,000
Total revenues	478,068	788,288	310,220	1,254,062
Expenditures:				
Instructional Services:				
Salaries and Benefits	-	-	-	35,769
Supplies	5,227	4,226	1,001	77,648
Total instructional services	5,227	4,226	1,001	113,417
Land and buildings:				
Land improvements	91,849	91,849	-	82,016
Building improvements	207,266	207,265	1	498,049
Total land and buildings	299,115	299,114	1	580,065
Equipment:				
Equipment	263,562	228,979	34,583	63,696
Equipment lease principal	95,954	95,954	-	54,510
Other	26,398	26,396	2	33,807
Total equipment	385,914	351,329	34,585	152,013
Total expenditures	690,256	654,669	35,587	845,495
Excess (deficiency) of revenues over (under) expenditures	(212,188)	133,619	345,807	408,567
Other Financing Sources (Uses):				
Issuance of long tem obligation	-	-	-	-
Bond premium	-	-	-	-
Transfer out	(300,000)	(300,000)	-	(261,929)
Equipment capital lease	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(300,000)	(300,000)	-	(261,929)
Net change in fund balances	(512,188)	(166,381)	345,807	146,638
Fund balance - beginning	1,843,571	1,843,571	-	1,696,933
Fund balance - ending	\$ 1,331,383	\$ 1,677,190	\$ 345,807	\$ 1,843,571

FIDUCIARY FUNDS

Skills Certification Testing – The District is the fiscal agent for collection and payment of fees associated with Skills Certification for the State. These funds are held for payment of bills associated with this program.

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2011

	<u>Net Assets at July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2011</u>
Assets:				
Cash and investments	\$ 172,748	\$ 431,000	\$ 466,666	\$ 137,082
Advance from other fund	-	-	-	-
Total assets	<u>\$ 172,748</u>	<u>\$ 431,000</u>	<u>\$ 466,666</u>	<u>\$ 137,082</u>
Liabilities:				
Due to other governments agencies	\$ 172,748	\$ 431,000	\$ 466,666	\$ 137,082
Total liabilities	<u>\$ 172,748</u>	<u>\$ 431,000</u>	<u>\$ 466,666</u>	<u>\$ 137,082</u>

GARFIELD COUNTY SCHOOL DISTRICT

SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2011

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GARFIELD 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>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	84.010	101005	\$ 55,058
Title I Grants to Local Educational Agencies	84.010	111005	63,654
AARA Title I Grants to Schools	84.389	099E61	47,251
Special Education Grants	84.027	111905	159,557
AARA Special Education Grants	84.391	099A61	136,824
VOED Title II Part B	84.048	102112	15,230
VOED Title II Part B	84.048	112112	14,194
Adult Education	84.002	113308	13,656
IDEA Preschool	84.173	115205	8,011
English Language Acquisition (Title III,A)	84.365	107324	7,650
ARRA Mckinney Vento Homeless	84.387	099G61	1,745
Education Jobs Fund	84.410	119N74	142,567
Improving Teacher Quality	84.367	100503	2,752
Improving Teacher Quality	84.367	110503	46,551
<i>Passed Through Utah State Department of Workforce Services</i>			
Life Skills Grant	84.255	90957	14,639
Total U.S. Department of Education			<u>729,339</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Utah State Department of Education</i>			
Federal School Lunch Program	10.555	114225	18,928
Federal Special Assistance Program	10.555	114325	94,778
Federal School Lunch Program	10.555	104225	3,186
Federal Special Assistance Program	10.555	104325	17,063
Federal Special Assistance Program	10.555		
Non-Cash Assistance (Commodities)		N/A	38,924
Federal School Breakfast Program	10.553	114425	16,040
Federal School Breakfast Program	10.553	104425	2,950
<i>Passed Through State of Utah</i>			
P.L. 110-343 Secure Rural Schools Act PILT	10.665	N/A	702,915
Total U.S. Department of Agriculture			<u>894,784</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,624,123</u>

See accompanying notes.

GARFIELD COUNTY 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 \$13,487.

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	\$ 1,410,587
Special Revenue Funds	
Non K-12 Programs	21,667
School Food Services	<u>191,869</u>
Total governmental funds	<u><u>\$ 1,624,123</u></u>



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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
Garfield County School District
Panguitch, UT

November 22, 2011

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District as of and for the year ended June 30, 2011, which collectively comprise Garfield County 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 Garfield County 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 11-2. 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 Garfield County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 11-03 through 11-06.

Garfield County School District's response to the findings identified in our audit is described in the accompanying schedule and 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
Garfield County School District
Panguitch, UT

November 22, 2011

Compliance

We have audited the compliance of Garfield County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2011. Garfield County School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Garfield County School District's management. Our responsibility is to express an opinion on Garfield County School District's compliance based on our audit.

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

In our opinion, Garfield County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2010. 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 Garfield 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

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Garfield 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, 11-2, and 11-7. 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

Garfield County 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 Garfield County School District's responses and, accordingly, we express no opinion on the responses.

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 Garfield County 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 Garfield County 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

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

Internal Control Findings:

10-1 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 makes 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 year finding 11-1.

10-2 Expenditure Documentation

Finding: During our audit we noted that the District has made significant improvements with regards to expenditure documentation.

Recommendation: We recommend that District continue to improve documentation of expenditures and the approval process.

Current Status: The District has improved processes and is now documenting the approval process.

10-3 Journal Entry Review

Finding: During our audit we noted that journal entries are generally posted by the business administrator. Most journal entries are standard closing entries and will be posted monthly.

Recommendation: We recommend that the journal entries be documented and initialed by the business administrator and be reviewed and initialed by another member of management.

Current Status: The District improved process. The journal entries are now counter signed by the superintendent and are included in board packets.

10-4 Accounting and Oversight of Individual Schools

Finding: 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.

Recommendation: 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.

Current Status: See current year finding 11-2.

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 fund:

General Fund	\$ 210,370
Non K-12 Fund	38,450
Debt Service Fund	34,276

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 11-3.

10-6 **Cash Management Compliance - Deposit**

Finding: During testing we noted instances when cash receipts were not deposited within the three day time period as required by Utah State law at the school level.

Recommendation: We recommend that the District continue to set deposit schedules for all facilities to ensure all funds are deposited timely where feasible.

Current Status: See current year finding 11-4.

10-7 **Purchasing Requirements and Policies**

Finding: During our audit we noted that the purchasing policy of the District is outdated and needs to be updated and include all required provisions.

Recommendation: We recommend that the current purchasing policy be updated to include all required provisions.

Current Status: See current year finding 11-5.

10-8 Minimum School – Educator Salary Adjustments

Finding: During our testing of state minimum school expenditures we noted instances where salary adjustments for administrative staff were paid from Educator Salary Adjustments funding. Although these individuals held teaching certificates they were not currently employed as teachers.

Recommendation: We recommend that program balance reports be adjusted to reflect these changes and the restrictive nature of funding be followed in the future.

Current Status: The District made adjustments and is now in compliance.

Compliance Findings (Single Audit Compliance):

10-9 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: The District is now requiring the certifications and is in compliance.

10-10 OMB A-110 Maintenance of Fixed Asset Records

Finding: Federal guidelines (OMB A-110) require recipients of Federal funds to maintain fixed asset records that include: Description of the equipment, identification number, funding source, acquisition date, location, and disposition information. The District uses a computerized fixed asset system which contains the features required by Federal guidelines.

Recommendation: We recommend that when capital assets are purchased with Federal funds that the funding source be tracked all the way to disposition to be in compliance with Federal requirements.

Current Status: The District is now tracking these capital assets and is in compliance.

**GARFIELD COUNTY 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 No

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

Yes No

Noncompliance material to the financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

-Material weaknesses indentified? Yes No

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

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? Yes No

Identification of major programs:

CFDA 84.391	ARRA Special Education Grants
CFDA 84.410	Education Jobs Fund
CFDA 10.665	P.L. 110-343 Secure Rural Schools PILT Funds

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

Auditee qualified as a low-risk auditee? Yes No

2. FINANCIAL STATEMENT FINDINGS

Internal Control Findings:

11-1 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 makes it difficult to provide for these separations in a cost effective manner. The District has made significant improvements during the year.

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.

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

11-2 Accounting and Oversight of Individual Schools

Finding: 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. This creates an environment that can cause accounting errors and potential misappropriations.

Recommendation: 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.

District's Response: We agree with the recommendation. We have begun the process of implementing procedures and processes, and will continue to implement them and improve the accountability at the school level.

Compliance Findings (Utah State Compliance):

11-3 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:

School Lunch Fund	\$ 33,466
Debt Service Fund	1,245,137

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.

11-4 Cash Management Compliance - Deposit

Finding: During testing we noted instances when cash receipts were not deposited within the three day time period as required by Utah State law at the school level.

Recommendation: We recommend that the District continue to set deposit schedules for all facilities to ensure all funds are deposited timely where feasible.

District's Response: We concur with the recommendation and will continue to make schedules and work with all facilities to ensure deposits are timely.

11-5 Purchasing Requirements and Policies

Finding: During our audit we noted that the purchasing policy of the District is outdated and needs to be updated and include all required provisions.

Recommendation: We recommend that the current purchasing policy be updated to include all required provisions.

District's Response: The District is currently looking into updating the current purchasing policy to include all required provisions.

11-6 Class Size Reduction (State Program)

Finding: State class size reduction funds are to be used to reduce class size in any and all grades kindergarten to eighth grade. Fifty percent of these funds must be used to reduce class size in any one or all grades kindergarten through grade two. Certain waivers can be obtained for this 50 percent requirement. We noted during our audit that current accounting procedures do not provide adequate program tracking of these funds to determine whether the 50 percent requirements are being met.

Recommendation: We recommend that the District implement adequate accounting procedures to track the expenditure processes to provide information to document compliance with the 50 percent rule.

District Response: We concur with the finding. We are in the process of changing accounting programs and implementing processes that will allow better program tracking and will provide the information required to document compliance with the 50 percent requirement.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See financial statements findings 11-1 through 11-2.

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 General Program Accounting

Finding: The District received several Federal grants during the year. Grant program accounting is used to track expenditures and reimbursements. The current accounting system requires many of the expenditures to be accounted for using allocations and journal entries. This increases the possibility of error.

Recommendation: We recommend that the District implement procedures and processes that can improve the ability to track expenditures and allow for coding of as many of the expenditures as possible directly to the grant and program. This will greatly improve the accountability and tracking of Federal grant programs.

Districts Response: We agree with the recommendation. We are currently looking at changing our accounting software and will be implementing new procedures to help with the finding.

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GILBERT & STEWART
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 A PROFESSIONAL CORPORATION
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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
 Garfield County School District
 Panguitch, Utah

November 22, 2011

We have audited the Garfield County 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, Garfield County 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 11-3 to 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

GARFIELD COUNTY SCHOOL DISTRICT

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

JUNE 30, 2011



GILBERT & STEWART
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November 22, 2011

Board of Education
Garfield County School District
Panguitch, UT

We have audited the financial statements of Garfield 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 12, 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 Garfield 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 Garfield 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 Garfield County School District are described in Note 1 to the financial statements.

During the year the District implemented GASB 54 dealing with fund balance presentation. No other new accounting policies were adopted and the application of existing policies was not changed during 2011. 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 Garfield 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. We recommended several adjusting journal entries and corrections during our audit. Management has corrected all such misstatements. Certain misstatements or unadjusted amounts 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 and compliance related issues that we reported in the findings and responses in the single audit package. These findings are numbered 11-1 through 11-7 and are found on pages 11 through 13 in the single audit reporting package. Below are Utah State compliance findings (numbered 11-3 through 11-6) that are also reported in the single audit package but are repeated in this letter as recommended by Utah State law.

Utah State Findings - Current Year

11-3 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:

School Lunch Fund	\$ 33,466
Debt Service Fund	1,245,137

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.

11-4 Cash Management Compliance - Deposit

Finding: During testing we noted instances when cash receipts were not deposited within the three day time period as required by Utah State law at the school level.

Recommendation: We recommend that the District continue to set deposit schedules for all facilities to ensure all funds are deposited timely where feasible.

District's Response: We concur with the recommendation and will continue to make schedules and work with all facilities to ensure deposits are timely.

11-5 Purchasing Requirements and Policies

Finding: During our audit we noted that the purchasing policy of the District is outdated and needs to be updated and include all required provisions.

Recommendation: We recommend that the current purchasing policy be updated to include all required provisions.

District's Response: The District is currently looking into updating the current purchasing policy to include all required provisions.

11-6 Class Size Reduction (State Program)

Finding: State class size reduction funds are to be used to reduce class size in any and all grades kindergarten to eighth grade. Fifty percent of these funds must be used to reduce class size in any one or all grades kindergarten through grade two. Certain waivers can be obtained for this 50 percent requirement. We noted during our audit that current accounting procedures do not provide adequate program tracking of these funds to determine whether the 50 percent requirements are being met.

Recommendation: We recommend that the District implement adequate accounting procedures to track the expenditure processes to provide information to document compliance with the 50 percent rule.

District Response: We concur with the finding. We are in the process of changing accounting programs and implementing processes that will allow better program tracking and will provide the information required to document compliance with the 50 percent requirement.

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	\$ 210,370
Non K-12 Fund	38,450
Debt Service Fund	34,276

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 11-3.

10-6 Cash Management Compliance - Deposit

Finding: During testing we noted instances when cash receipts were not deposited within the three day time period as required by Utah State law at the school level.

Recommendation: We recommend that the District continue to set deposit schedules for all facilities to ensure all funds are deposited timely where feasible.

Current Status: See current year finding 11-4.

10-7 Purchasing Requirements and Policies

Finding: During our audit we noted that the purchasing policy of the District is outdated and needs to be updated and include all required provisions.

Recommendation: We recommend that the current purchasing policy be updated to include all required provisions.

Current Status: See current year finding 11-5.

10-8 Minimum School – Educator Salary Adjustments

Finding: During our testing of state minimum school expenditures we noted instances where salary adjustments for administrative staff were paid from Educator Salary Adjustments funding. Although these individuals held teaching certificates, they were not currently employed as teachers.

Recommendation: We recommend that program balance reports be adjusted to reflect these changes and the restrictive nature of funding be followed in the future.

Current Status: Adjustments were made and the District is now in compliance.

Other Matters for Your Consideration

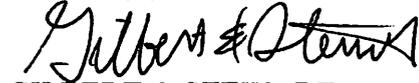
During our audit we also noted items of improvement to internal controls and processes that will improve financial reporting and the control structure. Below are these items for your consideration.

1. GASB standards require that the District review the Other Post Employment Benefit Obligation (OPEB) by having an actuarial evaluation of the future costs of the liability. The last time the District had the evaluation was in July of 2006. We recommend that the District obtain the required actuarial evaluation to allow for proper adjustments to the liability and to properly reflect the changes in the current cost structure of these benefits.
2. We recommend that the District review the processes with respect to tracking of leave benefits. Tightening of these processes will allow for better accounting and tracking and substantially reduce the possibility of confusion when these benefits are required to be paid.

3. We recommend that the District do an analysis of open bank accounts at the school level. This can be done by contacting the schools and the banks directly. After the analysis we recommend the District review the various accounts to determine the need and possible closing of unneeded accounts. This will help in accounting and monitoring of the schools.
4. We recommend the District continue to train employees at the school level and re-emphasize the need to keep proper back-up documentation for all expenditures. We noted instances where documentation could not be found for expenditures at the school level.

This information is intended solely for the use of Garfield County School District and the management of Garfield 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 cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART
Certified Public Accountants