

**GRANT COUNTY SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

**- WITH INDEPENDENT AUDITORS' REPORT -**

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## Independent Auditors' Report

Members of the Board of Education  
Grant County School District  
820 Arnie Risen Blvd.  
Williamstown, KY 41097

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grant County School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9, 16 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant County School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the Grant County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Bernie Spahn CPA".

Crestview Hills, Kentucky  
November 12, 2013

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Grant County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$7,482,519.
- The General Fund had \$26,247,127 in revenue, excluding interfund transfers. General Fund revenues primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$27,664,729 in General Fund expenditures.
- All staff received a step increase for an additional year's experience for the 2012-2013 school year.
- The District per pupil SEEK allocation was reduced from \$3,903 to \$3,833 for the 2012-2013 school year.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-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.

**District-wide financial statements.** The district-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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 10 and 11 of this report.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 38 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$24,573,565 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that 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.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Net Position for the periods ending June 30, 2013 and 2012**

The following table presents a summary of net position for the fiscal years ended June 30, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
Current assets	\$ 10,974,854	\$ 7,636,360
Noncurrent assets	<u>56,016,723</u>	<u>58,511,279</u>
<b>Total assets</b>	<b><u>\$ 66,991,577</u></b>	<b><u>\$ 66,147,639</u></b>
Current liabilities	\$ 3,205,735	\$ 2,942,949
Noncurrent liabilities	<u>39,212,277</u>	<u>36,883,926</u>
<b>Total liabilities</b>	<b><u>\$ 42,418,012</u></b>	<b><u>\$ 39,826,875</u></b>
<b>Net position</b>		
Investment in capital assets (net of debt)	\$ 14,870,223	\$ 19,798,477
Restricted	6,413,078	2,344,130
Nonspendable	59,829	77,318
Unassigned	2,828,607	3,788,438
Committed	<u>401,828</u>	<u>312,401</u>
<b>Total net position</b>	<b><u>\$ 24,573,565</u></b>	<b><u>\$ 26,320,764</u></b>

**Comments on Budget Comparisons**

- The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.
- The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. "On-Behalf" payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.
- The District's total General Fund revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$26,247,127.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$5,754,081 more than budget or approximately 28.1%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$27,664,729, net of interfund transfers and debt service.
- General Fund budget expenditures to actual varied significantly in Instruction. Actual expenditures were \$1,929,408 greater than budget. This is a result of the District recording "on behalf" payments made by the State.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 779,583	\$ 785,575
Operating grants and contributions	5,299,137	6,105,946
Capital grants and contributions	<u>2,255,263</u>	<u>1,850,973</u>
 Total program revenues	 <u>8,333,983</u>	 <u>8,742,494</u>
General Revenues:		
Property taxes	5,179,446	5,186,505
Other taxes	1,638,826	1,663,952
Grants and entitlements	20,889,577	20,798,953
Earnings on investments	103,766	119,623
Miscellaneous	<u>64,883</u>	<u>398,360</u>
 Total general revenues	 <u>27,876,498</u>	 <u>28,167,393</u>
 Total revenues	 <u>36,210,481</u>	 <u>36,909,887</u>
 <b>Expenses:</b>		
Instruction	19,581,794	19,018,114
Student support services	1,882,393	1,879,140
Instructional support	2,087,432	2,007,508
District administration	609,423	728,271
School administration	1,886,418	1,848,510
Business support	592,931	593,151
Plant operations	3,878,990	3,021,544
Student transportation	2,450,847	2,436,107
Other instructional	71,030	-
Adult education	326,057	335,152
Food service operation	105,718	-
Facilities acquisition and constructions	286,283	2,953,775
Community service activities	15,551	15,762
Other	22,986	22,211
Debt service	1,506,125	1,969,739
Food service	<u>2,759,806</u>	<u>2,699,102</u>
 Total expenses	 <u>38,063,784</u>	 <u>39,528,086</u>
 Deficit of revenues over expenses	 <u>\$ ( 1,853,303)</u>	 <u>\$ ( 2,618,199)</u>

**General Fund Revenue**

The majority of revenue was derived from State SEEK Funds and Federal SEEK stabilization funds (59%) with local funding making up 20% of total revenue.

**Infrastructure**

The District has not reported any infrastructure in the current financial statements.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Analysis of balances and transactions of individual funds (in thousands)**

<u>Fund</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers in (out)</u>	<u>Ending</u>
General	\$ 5,183	\$ 26,247	\$ 27,665	\$ 334	\$ 4,099
Special revenue	-	3,363	3,418	55	-
Capital outlay	341	354	-	(347)	348
Building	333	3,217	-	(3,177)	373
Construction	597	7	286	90	408

**Capital Assets and Long-Term Debt Activity (in thousands)**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<b>Governmental Assets</b>				
Capital assets	\$ 78,434	\$ 184	\$ 19	\$ 78,599
Accumulated depreciation	22,753	2,598	18	25,333
<b>Business-type Assets</b>				
Capital assets	\$ 4,391	\$ 67	\$ 7	\$ 4,451
Accumulated depreciation	1,862	165	7	2,020
<b>Long-Term Debt</b>				
Bonds payable	\$ 36,915	\$ 4,490	\$ 1,731	\$ 39,674
Capital leases payable	1,798	-	325	1,473

**CURRENT ISSUES**

In fiscal year 2013-2014, the District will be paying 1.5% of the District's certified payroll towards the health contribution for teacher retirement. This percentage will continue to rise each fiscal year until it reaches 3% of the District's certified payroll. This amount will be drawn directly from the General Fund.

The amount of per pupil SEEK was decreased to \$3,827 in fiscal 2013-2014 from \$3,833 in fiscal 2012-2013.

State grant funds continue to be cut which means the General Fund may be forced to pick up even more additional costs.

The District saw a decrease in property values of approximately \$18 million for fiscal 2013-2014.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$2,309,469 in contingency (10%). The beginning cash balance for the fiscal year is \$7,482,519.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives.

Questions regarding this report should be directed to Mr. Ronald Gene Livingood, Superintendent or to Matt Morgan, Assistant Superintendent of Finance and Personnel at (859) 824-3233 or by mail at 820 Arnie Risen Boulevard, Williamstown, Kentucky 41097-0369.

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION - DISTRICT WIDE  
AS OF JUNE 30, 2013**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CURRENT</b>			
Cash and cash equivalents	\$ 9,434,937	\$ 701,704	\$ 10,136,641
Due from other funds	-	-	-
Accounts receivable	619,001	159,383	778,384
Inventory	-	59,829	59,829
Total current	<u>10,053,938</u>	<u>920,916</u>	<u>10,974,854</u>
<b>NONCURRENT</b>			
Bond origination costs - net	318,744	-	318,744
Construction in progress	-	-	-
Land and land improvements	4,578,512	-	4,578,512
Buildings and improvements	63,314,814	2,970,967	66,285,781
Furniture and equipment	10,705,804	1,481,033	12,186,837
Less: accumulated depreciation	<u>(25,333,390)</u>	<u>(2,019,761)</u>	<u>(27,353,151)</u>
Total noncurrent	<u>53,584,484</u>	<u>2,432,239</u>	<u>56,016,723</u>
Total assets	<u>\$ 63,638,422</u>	<u>\$ 3,353,155</u>	<u>\$ 66,991,577</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accrued interest	\$ 393,104	\$ -	\$ 393,104
Current portion of bonds payable	1,890,000	-	1,890,000
Current portion of capital lease obligation	263,642	-	263,642
Current portion of accrued sick leave	24,380	-	24,380
Accounts payable	112,208	3,486	115,694
Assessed KISBIT liability	231,648	-	231,648
Accrued payroll and related liabilities	111,786	-	111,786
Deferred revenue	<u>175,481</u>	<u>-</u>	<u>175,481</u>
Total current	<u>3,202,249</u>	<u>3,486</u>	<u>3,205,735</u>
<b>NONCURRENT</b>			
Accrued sick leave	219,419	-	219,419
Capital lease obligation	1,208,858	-	1,208,858
Long term bonds payable	<u>37,784,000</u>	<u>-</u>	<u>37,784,000</u>
Total noncurrent	<u>39,212,277</u>	<u>-</u>	<u>39,212,277</u>
Total liabilities	<u>42,414,526</u>	<u>3,486</u>	<u>42,418,012</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	12,437,984	2,432,239	14,870,223
Restricted for:			
Capital projects	1,128,427	-	1,128,427
Debt service	4,427,050	-	4,427,050
Net position	-	857,601	857,601
Nonspendable	-	59,829	59,829
Committed			
Sick leave	121,899	-	121,899
Site based carryforward	279,929	-	279,929
Unassigned	<u>2,828,607</u>	<u>-</u>	<u>2,828,607</u>
Total net position	<u>21,223,896</u>	<u>3,349,669</u>	<u>24,573,565</u>
Total liabilities and net position	<u>\$ 63,638,422</u>	<u>\$ 3,353,155</u>	<u>\$ 66,991,577</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - DISTRICT WIDE  
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities</b>							
Instruction	\$ 19,581,794	\$ 22,265	\$ 2,388,834	\$ -	\$ (17,170,695)	\$ -	\$ (17,170,695)
Support services:							
Student	1,882,393	-	173,363	-	(1,709,030)	-	(1,709,030)
Instruction staff	2,087,432	-	550,023	-	(1,537,409)	-	(1,537,409)
District administration	609,423	-	-	-	(609,423)	-	(609,423)
School administration	1,886,418	-	-	-	(1,886,418)	-	(1,886,418)
Business	592,931	-	-	-	(592,931)	-	(592,931)
Plant operation and maintenance	3,878,990	-	-	-	(3,878,990)	-	(3,878,990)
Student transportation	2,450,847	-	701	-	(2,450,146)	-	(2,450,146)
Other instructional	71,030	-	-	-	(71,030)	-	(71,030)
Adult education	326,057	-	305,334	-	(20,723)	-	(20,723)
Food service operation	105,718	-	-	-	(105,718)	-	(105,718)
Facilities acquisition and construction	286,283	-	-	2,255,263	1,968,980	-	1,968,980
Community service activities	15,551	-	-	-	(15,551)	-	(15,551)
Other	22,986	-	-	-	(22,986)	-	(22,986)
Interest on long-term debt	1,180,823	-	-	-	(1,180,823)	-	(1,180,823)
<b>Total governmental activities</b>	<b>34,978,676</b>	<b>22,265</b>	<b>3,418,255</b>	<b>2,255,263</b>	<b>(29,282,893)</b>	<b>-</b>	<b>(29,282,893)</b>
<b>Business-type Activities</b>							
Food service	2,759,806	757,318	1,880,882	-	-	(121,606)	(121,606)
<b>Total business-type activities</b>	<b>2,759,806</b>	<b>757,318</b>	<b>1,880,882</b>	<b>-</b>	<b>-</b>	<b>(121,606)</b>	<b>(121,606)</b>
<b>Total school district</b>	<b>\$ 37,738,482</b>	<b>\$ 779,583</b>	<b>\$ 5,299,137</b>	<b>\$ 2,255,263</b>	<b>\$ (29,282,893)</b>	<b>\$ (121,606)</b>	<b>\$ (29,404,499)</b>

**General Revenues**

Property taxes	\$ 5,179,446	\$ -	\$ 5,179,446
Delinquent property taxes	52,192	-	52,192
Motor vehicle taxes	637,339	-	637,339
Utility and other taxes	949,295	-	949,295
Revenue in lieu of taxes	-	-	-
Investment earnings	93,736	10,030	103,766
State and federal aid formula grants	20,889,577	-	20,889,577
Gain on sale of fixed assets	-	-	-
KISBIT assessment	(231,648)	-	(231,648)
Loss on refunding of bonds	(22,710)	-	(22,710)
Miscellaneous	289,778	29,463	319,241
<b>Total general revenues</b>	<b>27,837,005</b>	<b>39,493</b>	<b>27,876,498</b>
Change in net position	(1,445,888)	(82,113)	(1,528,001)
Net position - beginning (Restated)	22,995,086	3,431,782	26,426,868
<b>Net position - ending</b>	<b>\$ 21,549,198</b>	<b>\$ 3,349,669</b>	<b>\$ 24,898,867</b>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and cash equivalents	\$ 4,100,395	\$ (158,912)	\$ 407,655	\$ 5,085,799	\$ 9,434,937
Due from other funds	-	-	-	-	-
Accounts receivable	218,296	338,682	-	62,023	619,001
Total assets	<u>\$ 4,318,691</u>	<u>\$ 179,770</u>	<u>\$ 407,655</u>	<u>\$ 5,147,822</u>	<u>\$ 10,053,938</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 107,919	\$ 4,289	\$ -	\$ -	\$ 112,208
Due to other funds	-	-	-	-	-
Accrued payroll and related liabilities	111,786	-	-	-	111,786
Deferred revenue	-	175,481	-	-	175,481
Total liabilities	<u>219,705</u>	<u>179,770</u>	<u>-</u>	<u>-</u>	<u>399,475</u>
<b>FUND BALANCES</b>					
Restricted					
Debt service	-	-	-	4,427,050	4,427,050
Capital projects	-	-	407,655	720,772	1,128,427
Committed					
Sick leave	121,899	-	-	-	121,899
Site based carryforward	279,929	-	-	-	279,929
Unassigned	3,697,158	-	-	-	3,697,158
Total fund balances	<u>4,098,986</u>	<u>-</u>	<u>407,655</u>	<u>5,147,822</u>	<u>9,654,463</u>
Total liabilities and fund balances	<u>\$ 4,318,691</u>	<u>\$ 179,770</u>	<u>\$ 407,655</u>	<u>\$ 5,147,822</u>	<u>\$ 10,053,938</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

Total fund balance per fund financial statements		\$ 9,654,463
Amounts reported for governmental activities in the statement of net position are different because:		
Unamortized bond issuance costs		318,744
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		
Cost of capital assets	78,599,130	
Accumulated depreciation	<u>(25,333,390)</u>	
		53,265,740
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Bonds payable	(39,674,000)	
Capital leases	(1,472,500)	
Assessed KISBIT liability	(231,648)	
Accrued interest on bonds	(393,104)	
Accrued sick leave	<u>(243,799)</u>	
		<u>(42,015,051)</u>
Net position for governmental activities		<u>\$ 21,223,896</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
From local sources					
Property taxes	\$ 3,555,952	\$ -	\$ -	\$ 1,675,686	\$ 5,231,638
Motor vehicle taxes	637,339	-	-	-	637,339
Utility taxes	932,147	-	-	-	932,147
Other taxes	17,148	-	-	-	17,148
Tuition and fees	-	-	-	-	-
Earnings on investments	71,009	665	6,745	15,982	94,401
Other local revenues	143,955	86,692	-	-	230,647
State sources					
SEEK	15,518,818	-	-	1,401,820	16,920,638
Other	5,137,435	990,679	-	723,487	6,851,601
Intermediate sources					
Federal - direct	94,587	-	-	-	94,587
Federal - indirect	138,737	2,284,629	-	129,956	2,553,322
Revenue in lieu of taxes	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>26,247,127</b>	<b>3,362,665</b>	<b>6,745</b>	<b>3,946,931</b>	<b>33,563,468</b>
<b>EXPENDITURES</b>					
Instruction	15,792,842	2,388,834	-	-	18,181,676
Support services					
Student	1,394,230	173,363	-	-	1,567,593
Instructional staff	1,527,962	550,023	-	-	2,077,985
District administration	454,596	-	-	-	454,596
School administration	1,872,046	-	-	-	1,872,046
Business	590,811	-	-	-	590,811
Plant operation and maintenance	3,613,266	-	-	-	3,613,266
Student transportation	2,223,574	701	-	-	2,224,275
Other instructional	68,961	-	-	-	68,961
Community services	20,723	305,334	-	-	326,057
Food service operation	105,718	-	-	-	105,718
Facilities acquisition and construction	-	-	286,283	-	286,283
Adult education	-	-	-	-	-
Debt service	-	-	-	3,645,360	3,645,360
<b>Total expenditures</b>	<b>27,664,729</b>	<b>3,418,255</b>	<b>286,283</b>	<b>3,645,360</b>	<b>35,014,627</b>
Excess (deficit) of revenues over expenditures	(1,417,602)	(55,590)	(279,538)	301,571	(1,451,159)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital lease	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	4,427,050	4,427,050
Operating transfers in	768,985	55,590	89,540	3,269,314	4,183,429
Operating transfers out	(434,964)	-	-	(3,524,787)	(3,959,751)
<b>Total other financing sources (uses)</b>	<b>334,021</b>	<b>55,590</b>	<b>89,540</b>	<b>4,171,577</b>	<b>4,650,728</b>
Net change in fund balances	(1,083,581)	-	(189,998)	4,473,148	3,199,569
Fund balance, July 1, 2012 - Restated	5,182,567	-	597,653	674,674	6,454,894
Fund balance, June 30, 2013	<u>\$ 4,098,986</u>	<u>\$ -</u>	<u>\$ 407,655</u>	<u>\$ 5,147,822</u>	<u>\$ 9,654,463</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in total fund balances per fund financial statements		\$ 3,199,569
Amounts reported for governmental activities in the statement of activities are different because:		
Proceeds from bond sale		(4,427,050)
Underwriter's discount on bond sale		(22,710)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays and retirements.		
Depreciation expense	(2,598,591)	
Retirement of capital assets	-	
Construction in progress	-	
Capital outlays	<u>184,094</u>	
		(2,414,497)
Net bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		
Principal paid	2,056,302	
Capital lease payments	<u>325,302</u>	
		2,381,604
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
		<u>(162,804)</u>
Changes in net position of governmental activities		<u><u>\$ (1,445,888)</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET FAVORABLE (UNFAVORABLE)
From local sources				
Property taxes	\$ 3,406,864	\$ 3,406,864	\$ 3,555,952	\$ 149,088
Motor vehicle taxes	597,064	597,064	637,339	40,275
Utility taxes	750,000	750,000	932,147	182,147
Other taxes	-	-	17,148	17,148
Tuition and fees	-	-	-	-
Earnings on investments	55,000	55,000	71,009	16,009
Other local revenue	16,000	16,000	143,955	127,955
State sources				
SEEK	15,350,000	15,518,818	15,518,818	-
Other	-	-	5,137,435	5,137,435
Federal - direct	87,300	87,300	94,587	7,287
Federal - indirect	-	-	138,737	138,737
Revenue in lieu of taxes	50,000	50,000	-	(50,000)
Other revenues	12,000	12,000	-	(12,000)
<b>Total revenues</b>	<b>20,324,228</b>	<b>20,493,046</b>	<b>26,247,127</b>	<b>5,754,081</b>
<b>EXPENDITURES</b>				
Instruction	12,471,194	12,518,548	15,792,842	(3,274,294)
Support services				
Student	1,067,314	1,067,314	1,394,230	(326,916)
Instruction staff	1,350,012	1,349,712	1,527,962	(178,250)
District administration	677,816	535,741	454,596	81,145
School administration	1,511,282	1,629,311	1,872,046	(242,735)
Business	487,842	487,842	590,811	(102,969)
Plant operation and maintenance	2,870,276	3,737,123	3,613,266	123,857
Student transportation	2,069,953	2,069,953	2,223,574	(153,621)
Other instructional	-	-	68,961	(68,961)
Food Service	95,244	95,244	105,718	(10,474)
Contingency	2,309,469	2,221,188	-	2,221,188
Community services	-	20,845	20,723	122
Facilities acquisition and construction	2,500	2,500	-	2,500
Debt service	-	-	-	-
<b>Total expenditures</b>	<b>24,912,902</b>	<b>25,735,321</b>	<b>27,664,729</b>	<b>(1,929,408)</b>
Excess (deficit) of revenues over expenditures	(4,588,674)	(5,242,275)	(1,417,602)	3,824,673
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease	-	-	-	-
Operating transfers in	105,000	739,847	768,985	29,138
Operating transfers out	(466,648)	(447,894)	(434,964)	12,930
<b>Total other financing sources (uses)</b>	<b>(361,648)</b>	<b>291,953</b>	<b>334,021</b>	<b>42,068</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(4,950,322)	(4,950,322)	(1,083,581)	3,866,741
Fund balance, July 1, 2012 - Restated	4,950,322	4,950,322	5,182,567	232,245
Fund balance, June 30, 2013	\$ -	\$ -	\$ 4,098,986	\$ 4,098,986

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
From local sources				
Earnings on investments	\$ 100	\$ 100	\$ 665	\$ 565
Other local revenue	77,500	86,550	86,692	142
State sources				
Other	849,116	919,332	990,679	71,347
Federal - direct	-	-	-	-
Federal - indirect	2,140,926	2,151,928	2,284,629	132,701
Other revenues	-	-	-	-
<b>Total revenues</b>	<u>3,067,642</u>	<u>3,157,910</u>	<u>3,362,665</u>	<u>204,755</u>
<b>EXPENDITURES</b>				
Instruction	2,283,630	2,165,542	2,388,834	(223,292)
Support services				
Student	172,731	172,731	173,363	(632)
Instruction staff	393,624	561,035	550,023	11,012
Student transportation	-	9,000	701	8,299
Food Service	-	-	305,334	(305,334)
Community services	305,192	305,192	-	305,192
<b>Total expenditures</b>	<u>3,155,177</u>	<u>3,213,500</u>	<u>3,418,255</u>	<u>(204,755)</u>
Excess (deficit) of revenues over expenditures	<u>(87,535)</u>	<u>(55,590)</u>	<u>(55,590)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	87,535	55,590	55,590	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>87,535</u>	<u>55,590</u>	<u>55,590</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
AS OF JUNE 30, 2013**

<b>ASSETS</b>	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>CURRENT</b>			
Cash and cash equivalents	\$ 667,210	\$ 34,494	\$ 701,704
Accounts receivable	159,383	-	159,383
Due from general fund	-	-	-
Inventory	59,829	-	59,829
	<u>886,422</u>	<u>34,494</u>	<u>920,916</u>
Total current			
<b>NONCURRENT</b>			
Furniture and equipment	4,452,000	-	4,452,000
Less: accumulated depreciation	(2,019,761)	-	(2,019,761)
	<u>2,432,239</u>	<u>-</u>	<u>2,432,239</u>
Total noncurrent			
Total assets	<u>\$ 3,318,661</u>	<u>\$ 34,494</u>	<u>\$ 3,353,155</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable	\$ 3,441	\$ 45	\$ 3,486
Current portion of capital lease obligation	-	-	-
	<u>3,441</u>	<u>45</u>	<u>3,486</u>
Total current			
<b>NONCURRENT</b>			
Capital lease obligation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,441</u>	<u>45</u>	<u>3,486</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,432,239	-	2,432,239
Nonspendable - inventories	59,829	-	59,829
Restricted - net position	823,152	34,449	857,601
	<u>3,315,220</u>	<u>34,449</u>	<u>3,349,669</u>
Total net position			
Total liabilities and net position	<u>\$ 3,318,661</u>	<u>\$ 34,494</u>	<u>\$ 3,353,155</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Food service sales	\$ 757,318	\$ -	\$ 757,318
Other operating revenues	-	29,463	29,463
Total operating revenues	<u>757,318</u>	<u>29,463</u>	<u>786,781</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,122,119	3,089	1,125,208
Professional and contract services	49,577	4,542	54,119
Supplies and materials	1,170,277	18,292	1,188,569
Depreciation	165,229	-	165,229
Other operating expenses	102	2,901	3,003
Total operating expenses	<u>2,507,304</u>	<u>28,824</u>	<u>2,536,128</u>
Operating income (loss)	<u>(1,749,986)</u>	<u>639</u>	<u>(1,749,347)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants	1,526,766	-	1,526,766
State grants	229,973	-	229,973
Donated commodities and other donations	124,143	-	124,143
Interest income	10,030	-	10,030
Loss on fixed assets	-	-	-
Transfer of funds	(223,678)	-	(223,678)
Total nonoperating revenues (expenses)	<u>1,667,234</u>	<u>-</u>	<u>1,667,234</u>
Net income (loss)	(82,752)	639	(82,113)
Total net position, July 1, 2012	<u>3,397,972</u>	<u>33,810</u>	<u>3,431,782</u>
Total net position, June 30, 2013	<u>\$ 3,315,220</u>	<u>\$ 34,449</u>	<u>\$ 3,349,669</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from lunchroom sales	\$ 757,318	\$ -	\$ 757,318
Cash received from other activities	-	29,463	29,463
Cash payments to employees for services	(1,122,119)	(3,089)	(1,125,208)
Cash payments to suppliers for goods and services	(1,199,465)	(23,264)	(1,222,729)
Cash payments for other operating activities	(102)	(2,901)	(3,003)
Net cash provided by (used in) operating activities	<u>(1,564,368)</u>	<u>209</u>	<u>(1,564,159)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Principal payments on capital leases	-	-	-
Acquisition of capital assets	(67,916)	-	(67,916)
Net cash used in capital financing activities	<u>(67,916)</u>	<u>-</u>	<u>(67,916)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Non-operating grants received	1,724,386	-	1,724,386
Net cash provided by noncapital financing activities	<u>1,724,386</u>	<u>-</u>	<u>1,724,386</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Transfer of funds	(223,678)	-	(223,678)
Interest on investments	10,030	-	10,030
Net cash used in investing activities	<u>(213,648)</u>	<u>-</u>	<u>(213,648)</u>
Net increase (decrease) in cash and cash equivalents	(121,546)	209	(121,337)
Cash and cash equivalents - beginning	788,756	34,285	823,041
Cash and cash equivalents - ending	<u>\$ 667,210</u>	<u>\$ 34,494</u>	<u>\$ 701,704</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (1,749,986)	\$ 639	\$ (1,749,347)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Depreciation	165,229	-	165,229
Changes in assets and liabilities:			
Decrease in inventory	17,489	-	17,489
Increase in accounts payable	2,900	(430)	2,470
Net cash provided by (used in) operating activities	<u>\$ (1,564,368)</u>	<u>\$ 209</u>	<u>\$ (1,564,159)</u>
<b>SCHEDULE OF NON-CASH TRANSACTIONS</b>			
Donated commodities received from federal government	<u>\$ 124,143</u>	<u>\$ -</u>	<u>\$ 124,143</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUND  
AS OF JUNE 30, 2013**

	<b>TRUST/AGENCY FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 57,088	\$ 57,088
Total current assets	57,088	57,088
<b>NONCURRENT</b>		
Capital assets	-	-
Total noncurrent assets	-	-
Total assets	\$ 57,088	\$ 57,088
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Total current	\$ -	\$ -
<b>NONCURRENT</b>		
Total noncurrent	-	-
Total liabilities	-	-
<b>NET POSITION</b>		
Unrestricted	57,088	57,088
Total net position	57,088	57,088
Total liabilities and net position	\$ 57,088	\$ 57,088

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>TRUST/AGENCY FUND</b>	<b>TOTAL</b>
<b>ADDITIONS</b>		
Net interest and investment gains	\$ 722	\$ 722
Private donations	-	-
Other additions	6,409	6,409
Total additions	7,131	7,131
<b>DEDUCTIONS</b>		
Scholarships awarded	-	-
Supplies and materials	8,172	8,172
Total deductions	8,172	8,172
Change in net position	(1,041)	(1,041)
Net position - July 1, 2012	58,129	58,129
Net position - June 30, 2013	\$ 57,088	\$ 57,088

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Grant County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Grant County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Grant County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Grant County School District Finance Corporation - The Grant County Board of Education authorized the establishment of the Grant County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Grant County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
  
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 46. This is a major fund of the District.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

IV. Fiduciary Fund Type (agency and trust funds)

The Trust/Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the District-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	15-20 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service.

Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit cash and cash equivalents totaling \$11,086,025. Of the total cash balance, \$268,965 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013 consist of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Forcht Bank	\$ 6,640,010	\$ 6,194,752
Grant County Deposit Bank	18,965	18,404
Grant County Deposit Escrow	<u>4,427,050</u>	<u>4,427,050</u>
Total	<u>\$ 11,086,025</u>	<u>\$10,640,206</u>

Allocation per financial statements:

Governmental funds	\$ 9,434,937
Proprietary funds	701,704
Agency funds	57,088
Activity funds	<u>446,477</u>
	<u>\$ 10,640,206</u>

**GRANT COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled approximately \$243,799 for those employees with twenty-seven or more years of experience. The Board has reserved \$121,899 of its General Fund for unpaid sick leave benefits.

**NOTE E - COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of buses under capital leases expiring between 2013 and 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2013, for each of the next five years and in the aggregate are as follows:

	2014	\$ 308,006
	2015	300,965
	2016	239,145
	2017	239,050
	2018	169,336
	Thereafter	<u>387,316</u>
Total minimum rentals		1,643,818
Less: amount representing interest		<u>171,318</u>
Present value of net minimum lease payments		<u><u>\$ 1,472,500</u></u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE F - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Land and land improvements	\$ 4,578,512	\$ -	\$ -	\$ 4,578,512
Buildings and improvements	63,314,814	-	-	63,314,814
Technology equipment	4,028,847	134,963	18,789	4,145,021
Vehicles	4,531,135	47,031	-	4,578,166
General equipment	1,980,517	2,100	-	1,982,617
Construction in progress	-	-	-	-
Totals at historical cost	<u>78,433,825</u>	<u>184,094</u>	<u>18,789</u>	<u>78,599,130</u>
Less: accumulated depreciation				
Land improvements	1,409,760	99,579	-	1,509,339
Buildings and improvements	14,602,906	1,481,325	-	16,084,231
Technology equipment	2,767,466	529,143	18,789	3,277,820
Vehicles	2,726,156	391,781	-	3,117,937
General equipment	1,247,300	96,763	-	1,344,063
Total accumulated depreciation	<u>22,753,588</u>	<u>2,598,591</u>	<u>18,789</u>	<u>25,333,390</u>
Governmental activities capital assets - net	<u>\$ 55,680,237</u>	<u>\$ (2,414,497)</u>	<u>\$ -</u>	<u>\$ 53,265,740</u>
 <u>Business - Type Activities</u>				
Buildings and improvements	\$ 2,970,967	\$ -	\$ -	\$ 2,970,967
Technology equipment	42,142	12,153	1,067	53,228
General equipment	1,378,002	55,763	5,960	1,427,805
Totals at historical cost	<u>4,391,111</u>	<u>67,916</u>	<u>7,027</u>	<u>4,452,000</u>
Less: accumulated depreciation				
Buildings and improvements	1,069,331	79,419	-	1,148,750
Technology equipment	36,181	6,285	1,067	41,399
General equipment	756,047	79,525	5,960	829,612
Total accumulated depreciation	<u>1,861,559</u>	<u>165,229</u>	<u>7,027</u>	<u>2,019,761</u>
Business - type activities capital assets - net	<u>\$ 2,529,552</u>	<u>\$ (97,313)</u>	<u>\$ -</u>	<u>\$ 2,432,239</u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE G - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
September 2002	\$ 985,000	1.450% - 3.750%
May 2005	\$ 8,490,000	3.000% - 4.000%
June 2005	\$ 203,000	3.625% - 3.875%
July 2005	\$ 5,445,000	3.200% - 4.250%
November 2006	\$ 1,930,000	3.500% - 4.000%
April 2007	\$ 15,835,000	4.250% - 4.300%
October 2010	\$ 2,215,000	0.600% - 3.100%
July 2010	\$ 8,485,000	0.800% - 5.550%
March 2013	\$ 4,490,000	1.400% - 2.200%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table in Note S sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013, for debt service (principal and interest) are as reported on Note S on page 38.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE H - RETIREMENT PLANS**

Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2013, was \$1,859,194, which consisted of \$272,544 from the District and \$1,586,650 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$1,776,452 and \$1,624,364, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2013, was \$1,245,590, which consisted of \$982,292 from the District and \$263,298 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$1,194,772 and \$1,121,597, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

The District's total payroll for the year was \$19,829,200. The payroll for employees covered under KTRS was \$14,616,767 and for CERS was \$5,024,511.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE H - RETIREMENT PLANS (CONT'D)**

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601

**NOTE I - CONTINGENCIES**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

**NOTE J - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**NOTE K - 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. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE L - RISK MANAGEMENT (CONT'D)**

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE M – CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2013, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$231,648. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE N - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, excluding interfund transfers. Special Revenue fund deficit was supplemented with transfers from the General Fund.

General Fund	\$	1,417,602
Construction Fund	\$	279,538
Mason Corinth Elementary	\$	5,692
Special Revenue	\$	55,590
Trust and Agency	\$	1,041

**NOTE O – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE P - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 55,590
51	1	Indirect cost	\$ 134,138
320	400	Debt Service	\$ 2,889,940
1	400	Debt Service	\$ 379,374
310	1	Operating	\$ 347,441
320	1	Operating	\$ 287,406
51	360	Operating	\$ 89,540

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE Q - ON-BEHALF PAYMENTS**

For the year ended June 30, 2013, total payments of \$5,623,912 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded as revenues and expenses in the following funds:

General Fund	\$ 5,039,476
Debt Service	376,046
Food Service Fund	<u>208,390</u>
	<u>\$ 5,623,912</u>

**NOTE R - PRIOR PERIOD ADJUSTMENT**

A restatement of the general fund's fund balance for the prior period was necessary due to Title I expenditures contained in the general fund for the year ended June 30, 2012 that should have been expenditures from the special revenue fund. The effect of this restatement amounted to an increase to the general fund's fund balance of \$106,104.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE S - MATURITY OF GENERAL LONG-TERM OBLIGATIONS**

**2002B, 2005, 2005A, 2005B, 2006, 2007, 2010, 2010R AND 2013 SERIES**

<b>FISCAL YEAR</b>	<b>GRANT COUNTY SCHOOL DISTRICT</b>		<b>KY SCHOOL FACILITIES CONSTRUCTION COMMISSION</b>		<b>TOTAL REQUIREMENTS</b>
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	
2013-2014	\$ 1,646,842	\$ 1,290,634	\$ 243,158	\$ 115,285	\$ 3,295,919
2014-2015	1,679,486	1,243,169	250,514	107,959	3,281,128
2015-2016	1,742,121	1,182,115	251,879	99,932	3,276,047
2016-2017	1,966,610	1,117,265	243,390	91,454	3,418,719
2017-2018	2,235,014	1,042,903	194,986	83,035	3,555,938
2018-2019	2,308,028	967,074	201,972	76,047	3,553,121
2019-2020	2,384,935	887,792	185,065	68,776	3,526,568
2020-2021	2,473,442	799,491	91,558	61,185	3,425,676
2021-2022	2,554,343	716,245	95,657	57,087	3,423,332
2022-2023	2,639,876	629,422	100,124	52,620	3,422,042
2023-2024	2,735,095	545,525	104,905	47,839	3,433,364
2024-2025	2,839,877	442,414	110,123	42,621	3,435,035
2025-2026	2,949,229	334,600	115,771	36,973	3,436,573
2026-2027	2,558,262	239,042	121,738	31,005	2,950,047
2027-2028	981,823	119,810	128,177	24,567	1,254,377
2028-2029	1,014,843	87,855	135,157	17,587	1,255,442
2029-2030	1,047,339	54,284	142,661	10,084	1,254,368
2030-2031	1,088,357	18,547	111,643	3,098	1,221,645
	<u>\$ 36,845,522</u>	<u>\$ 11,718,187</u>	<u>\$ 2,828,478</u>	<u>\$ 1,027,154</u>	<u>\$ 52,419,341</u>

**NOTE T - SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2013, which represents the releasedate of the report.

**GRANT COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

	<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL NONMAJOR GOVT. FUNDS</b>
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and cash equivalents	\$ 348,201	\$ 310,548	\$ 4,427,050	\$ 5,085,799
Accounts receivable	-	62,023	-	62,023
Total assets	\$ 348,201	\$ 372,571	\$ 4,427,050	\$ 5,147,822
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Restricted				
Capital projects	348,201	372,571	-	720,772
Debt service	-	-	4,427,050	4,427,050
Unassigned	-	-	-	-
Total fund balances	348,201	372,571	4,427,050	5,147,822
Total liabilities and fund balances	\$ 348,201	\$ 372,571	\$ 4,427,050	\$ 5,147,822

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>REVENUES</b>	<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL NONMAJOR GOVT. FUNDS</b>
From local sources				
Property taxes	\$ -	\$ 1,675,686	\$ -	\$ 1,675,686
Motor vehicle taxes	-	-	-	-
Other taxes	-	-	-	-
Earnings on investments	6,506	9,476	-	15,982
Federal - Indirect	-	129,956	-	129,956
State sources				
SEEK	-	1,401,820	-	1,401,820
Other	347,441	-	376,046	723,487
Total revenues	<u>353,947</u>	<u>3,216,938</u>	<u>376,046</u>	<u>3,946,931</u>
<b>EXPENDITURES</b>				
Support services				
Instruction staff	-	-	-	-
Plant operation and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	3,645,360	3,645,360
Total expenditures	<u>-</u>	<u>-</u>	<u>3,645,360</u>	<u>3,645,360</u>
Excess of revenues over expenditures	<u>353,947</u>	<u>3,216,938</u>	<u>(3,269,314)</u>	<u>301,571</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	-	-	4,427,050	4,427,050
Other financing sources (uses)	(347,441)	(3,177,346)	3,269,314	(255,473)
Total other financing sources (uses)	<u>(347,441)</u>	<u>(3,177,346)</u>	<u>7,696,364</u>	<u>4,171,577</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	<u>6,506</u>	<u>39,592</u>	<u>4,427,050</u>	<u>4,473,148</u>
Net change in fund balances	6,506	39,592	4,427,050	4,473,148
Fund balance, July 1, 2012	<u>341,695</u>	<u>332,979</u>	<u>-</u>	<u>674,674</u>
Fund balance, June 30, 2013	<u>\$ 348,201</u>	<u>\$ 372,571</u>	<u>\$ 4,427,050</u>	<u>\$ 5,147,822</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	ISSUE OF 2002B	ISSUE OF 2005	ISSUE OF 2005A	ISSUE OF 2005B	ISSUE OF 2006	ISSUE OF 2007
<b>Cash at July 1, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>						
Transfers and miscellaneous deposits	106,969	328,562	1,099,525	23,739	145,265	872,630
<b>Disbursements:</b>						
Bonds paid	105,000	145,000	895,000	21,000	80,000	245,000
Interest coupons	1,969	183,562	204,525	2,739	65,265	627,630
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	106,969	328,562	1,099,525	23,739	145,265	872,630
Excess of disbursements over receipts	-	-	-	-	-	-
<b>Cash at June 30, 2013</b>	-	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
<b>Fund balance at June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	ISSUE OF 2010	ISSUE OF 2010R	ISSUE OF 2013	CAPITAL LEASE PAYMENTS	Total
<b>Cash at July 1, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	584,409	104,887	-	379,374	3,645,360
<b>Disbursements:</b>					
Bonds paid	195,000	45,000	-	325,302	2,056,302
Interest coupons	389,409	59,887	-	54,072	1,589,058
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	584,409	104,887	-	379,374	3,645,360
Excess of disbursements over receipts	-	-	-	-	-
<b>Cash at June 30, 2013</b>	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund balance at June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FUND BALANCE JULY 1, 2012</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2013</b>
Academic team	\$ 3,376	\$ 1,000	\$ 1,394	\$ 2,982
Ad achievers	110	-	-	110
Adam Allie Fund	-	1,391	1,200	191
Advanced placement	1	4,472	-	4,473
Ag Aqua	145	626	235	536
Ag construction	168	2,750	2,918	-
Ag Mech	458	-	458	-
Amy Robinson	56	295	292	59
Annual	6,124	3,918	2,638	7,404
Art	1,157	3,686	2,228	2,615
Art club	193	-	193	-
Art II	110	-	110	-
Art Society	134	311	445	-
Assessment	687	-	-	687
Athletic director	3,620	31,976	31,788	3,808
Band	-	7,801	7,801	-
Baseball	1	18,036	17,178	859
Basketball holiday tour	1,935	-	-	1,935
Biomedical	-	705	406	299
BJ Toll scholarship	8,550	2,500	725	10,325
Bookfund	61,679	51,210	48,481	64,408
Boy's basketball	1,834	24,175	22,097	3,912
Boy's elementary basketball	355	6,151	5,715	791
Boy's golf	1	1,318	1,319	-
Boy's soccer	2,011	4,512	6,140	383
Cheerleaders	6	3,422	3,392	36
Child development	129	753	882	-
Chorus	96	29,672	29,768	-
Computer fund	30	-	-	30
Cooking account	31	1,378	1,027	382
CPR	-	930	-	930
Cross country	4,217	9,942	11,494	2,665
Culinary café	541	4,998	4,946	593
Dance team	1,486	4,520	5,582	424
District boys/girls	957	-	113	844
District baseball	49	1,210	1,203	56
District Volleyball	-	1,115	1,050	65
DR Toyota scholarship	4,700	2,500	2,500	4,700
English	504	-	-	504
Fashion	69	551	525	95
Fast pitch softball	503	6,367	5,341	1,529
FCCLA	2,044	15,687	17,558	173
Floral design	859	-	-	859
Football	1,252	10,180	11,026	406
Football bowl	1,500	7,475	8,711	264

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FUND BALANCE JULY 1, 2012</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2013</b>
Foreign language	\$ -	\$ 2,984	\$ 2,789	\$ 195
French	297	45	342	-
Future business	99	7,593	7,110	582
Future Farmers of America	3,869	15,494	16,661	2,702
Garden Project	70	2,350	2,186	234
General	539	2,062	2,098	503
Gilman Dr	-	7,000	617	6,383
Girl's basketball	-	18,807	16,680	2,127
Girl's elementary basketball	4,973	5,680	6,550	4,103
Girl's golf	2,088	5,417	4,832	2,673
Girl's golf region 6	259	1,455	1,300	414
Girl's soccer	549	4,825	4,631	743
Greenhouse	3,133	3,689	3,289	3,533
Health Occupation	1,647	6,173	6,856	964
ID's	15	56	-	71
KOI	1	70	70	1
Kossa	791	1,606	2,038	359
KYCID	-	1,078	708	370
Let Us Never Forget	-	200	32	168
Library club	106	1,928	2,034	-
Lloyd Franks Scholarship	17,807	597	-	18,404
Locks	3,328	-	-	3,328
Marching band	7,349	22,948	24,406	5,891
Math	226	2,070	2,296	-
Math field trip	776	-	225	551
Mu Alpha Theta	-	360	360	-
National Eng. Society	72	1,967	1,380	659
National honor society	482	1,792	1,772	502
Parking stickers	2,793	324	400	2,717
PE Account	335	-	-	335
Pen drive	1	-	-	1
Pep club	37	-	-	37
Poetry Out Loud	-	818	818	-
Project graduation	1,027	4,114	4,168	973
Prom account	10,398	16,771	18,162	9,007
Reach	1,500	3,000	1,980	2,520
R.C. Durr Foundation	-	15,000	13,224	1,776
School Store	431	4,383	4,271	543
School play	46	-	-	46
Science field trip	1,148	-	388	760
Senior class	1	33,664	31,513	2,152
Skills USA	148	2,323	2,352	119
Small animal	190	-	-	190
Smoking	-	140	-	140
Social committee	-	1,051	1,051	-

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FUND BALANCE JULY 1, 2012</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2013</b>
Speech & drama	\$ 2,401	\$ 2,124	\$ 1,237	\$ 3,288
STLP	216	-	-	216
Student council	2,687	2,133	2,986	1,834
Student incentives	120	16,542	10,031	6,631
Teacher's lounge	247	1,990	1,205	1,032
Tech Student Assoc	979	7,514	6,467	2,026
Tennis	-	194	194	-
The Brave's banner	8,028	-	-	8,028
TJ Mitchell	-	1,000	1,000	-
Track	477	7,899	5,491	2,885
UNICEF	9	-	-	9
Volleyball	2,473	13,091	12,293	3,273
Wrestling	2,669	2,623	3,708	1,584
York scholarship fund	16,945	79	1,000	16,024
	<u>\$ 215,460</u>	<u>\$ 522,556</u>	<u>\$ 494,080</u>	<u>\$ 243,938</u>
Total	<u>\$ 215,460</u>	<u>\$ 522,556</u>	<u>\$ 494,080</u>	<u>\$ 243,938</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>GRANT COUNTY MIDDLE SCHOOL</u>	<u>CRITTENDEN MT. ZION ELEMENTARY SCHOOL</u>	<u>DRY RIDGE ELEMENTARY SCHOOL</u>
Fund balance at July 01, 2012	\$ 57,245	\$ 35,908	\$ 41,118
Add: receipts	114,090	43,240	28,887
Less: disbursements	<u>(109,716)</u>	<u>(34,994)</u>	<u>(26,231)</u>
Fund balance at June 30, 2013	<u>\$ 61,619</u>	<u>\$ 44,154</u>	<u>\$ 43,774</u>

	<u>MASON CORINTH ELEMENTARY SCHOOL</u>	<u>SHERMAN ELEMENTARY SCHOOL</u>	<u>TOTAL</u>
Fund balance at July 01, 2012	\$ 41,707	\$ 15,130	\$ 191,108
Add: receipts	22,697	26,408	235,322
Less: disbursements	<u>(28,389)</u>	<u>(24,561)</u>	<u>(223,891)</u>
Fund balance at June 30, 2013	<u>\$ 36,015</u>	<u>\$ 16,977</u>	<u>\$ 202,539</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM / CLUSTER TOTALS
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through the Kentucky Department of Education:</i>				
Career and Technical Education - Basic Grants to States	84.048	4621332 13	\$ 42,995	\$ 42,995
Improving Teacher Quality State Grant	84.367	3230002 11	48,341	
Improving Teacher Quality State Grant	84.367	3230002 12	107,126	155,467
Adult Education - Basic Grants to States	84.002	5520912 09	6,829	6,829
Education Jobs Fund	84.410	EJOB00 10	20,600	20,600
English Language Acquisition State Grant	84.365	3300002 12	3,315	3,315
Race to the Top	84.413	3960002 11	20,505	20,505
Title I - Grants to Local Educational Agencies	84.010	3100002 11	604,989	
Title I - Grants to Local Educational Agencies	84.010	3100002 10	9,160	
Title I - Grants to Local Educational Agencies	84.010	3100002 12	683,175	1,297,324
Special Education Cluster:				
Special Education Grants to States	84.027	3810002 11	39,482	
Special Education Grants to States	84.027	3810002 12	760,266	
Special Education Preschool Grants	84.173	3800002 11	10,331	
Special Education Preschool Grants	84.173	3800002 12	33,619	843,698
<b>Total U.S. Department of Education</b>			<u>2,390,733</u>	<u>2,390,733</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Kentucky Department of Education:</i>				
State Administrative Expenses for Child Nutrition	10.560	7850012 12	915	915
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 13	888,794	
National School Lunch Program	10.555	7750002 12	185,757	
School Breakfast Program	10.553	7760005 12	73,144	
School Breakfast Program	10.553	7760005 13	362,690	
Summer Food Service Program for Children	10.559	7690024 12	1,123	
Summer Food Service Program for Children	10.559	7740023 12	10,871	
<i>Passed through the Kentucky Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.555	041-0100	124,143	1,646,522
<b>Total U.S. Department of Agriculture</b>			<u>1,647,437</u>	<u>1,647,437</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through the Kentucky Department of Education:</i>				
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2000001 12	150	150
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,038,320</u>	<u>\$ 4,038,320</u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Grant County School District under programs of the federal government for the year ended June 30, 2013, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Grant County School District, it is not intended to and does not present the financial position changes in net position or cash flows of the District.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2013, the District reported food commodities expended in the amount of \$124,143.

**GRANT COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unmodified opinion on the basic financial statements of the Grant County School District.
2. No significant deficiencies were disclosed during the audit of the financial statements or reported in the Independent Auditors' 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Grant County School District which would be required to be reported in accordance with Governmental Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. No material weaknesses are reported.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Grant County School District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings required to be reported under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs were: School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Summer Food Service Program for Children, CFDA #10.559; National School Lunch Program - Food Donation, CFDA #10.555; Title I - Grants to Local Educational Agencies, CFDA #84.010; Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173; and Improving Teacher Quality State Grants, CFDA #84.367.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Grant County School District does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**GRANT COUNTY SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2013**

**BOARD MEMBERS**

Dr. Alice Heeger-Hartman  
Term Expires – December 31, 2017

Carol Horn  
Term Expires – December 31, 2014

Jim Colson  
Term Expires – December 31, 2017

Charlotte Schmidt  
Term Expires – December 31, 2014

Debbie Roggers  
Term Expires – December 31, 2016

**ADMINISTRATIVE PERSONNEL**

Mr. Ronald Gene Livingood  
Superintendent

Mrs. Jennifer Wright  
Assistant Superintendent for Curricula, Instruction and Student Support

Mr. Matt Morgan  
Assistant Superintendent for Finance and Personnel

**INDEPENDENT AUDITOR'S 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**

Members of the Board of Education  
Grant County School District  
820 Arnie Risen Blvd.  
Williamstown, KY 41097

We have audited, in accordance with the 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, 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 Grant County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Grant County School District's basic financial statements, and have issued our report thereon dated November 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grant County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant County School District's internal control.

*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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grant County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crestview Hills, Kentucky  
November 12, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Education  
Grant County School District  
820 Arnie Risen Blvd.  
Williamstown, Kentucky 41097

**Report on Compliance for Each Major Federal Program**

We have audited Grant County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Grant County School District's major federal programs for the year ended June 30, 2013. Grant 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Grant County School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Grant 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Grant County School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Grant County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Grant County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grant County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Grant County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky  
November 12, 2013

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

In planning and performing our audit of the financial statements of Grant County Board of Education for the year ended June 30, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 12, 2013, on the financial statements of the Grant County School District.

**CURRENT YEAR RECOMMENDATIONS**

**Central Office**

Any exceptions noted during testing appeared to be isolated incidents only.

**ACTIVITY FUNDS**

**Grant County High School**

Any exceptions noted during testing appeared to be isolated incidents only

**Grant County Middle School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Crittenden-Mt. Zion Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Dry Ridge Elementary**

Any exceptions noted during testing appeared to be isolated incidents only.

**Mason-Corinth Elementary**

Any exceptions noted during testing appeared to be isolated incidents only.

**Sherman Elementary**

Any exceptions noted during testing appeared to be isolated incidents only.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Central Office**

Any exceptions noted during testing appeared to be isolated incidents only.

**Grant County High School**

Condition: Accurate financial records were not maintained during the fiscal year 2011-2012.

Recommendation: It is our recommendation that management at the high school be educated in the implementation of these controls and that a Central Office designee monitor the high school to ensure proper implementation

Current Status: District Office Staff regularly meet with high school personnel to review procedures and to monitor adherence to those procedures. District Office Staff currently conduct periodic financial audits of high school records to ensure compliance with proper accounting procedures. In addition there there has been a staffing change at the high school in the position of school treasurer.

**Grant County Middle School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Crittenden-Mt. Zion Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Dry Ridge Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Mason-Corinth Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Sherman Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.