

Grant County School District

**Financial Statements with Supplementary Information
June 30, 2014
Independent Auditors' Report**

GRANT COUNTY SCHOOL DISTRICT
June 30, 2014

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GRANT COUNTY SCHOOL DISTRICT
June 30, 2014

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Independent Auditors' Report

To the Members of the Board of Education
Grant County School District
Williamstown, Kentucky

Report on the 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, 2014, 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, 2014, 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.

**Independent Auditors' Report
(Continued)**

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 3-8 and 15 through 18 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 combining and individual nonmajor fund financial statements 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.

Reporting Other Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 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.



Crestview Hills, Kentucky
November 13, 2014

GRANT COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of Grant County Board of Education (Board), the governing body for 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$10,640,206
- The General Fund had \$26,958,425 in revenue, excluding interfund transfers and bond proceeds. General Fund revenues primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$28,501,216 in General Fund expenditures.
- All staff received a step increase for an additional year's experience for the 2013-2014 school year.
- The District per pupil SEEK allocation was reduced from \$3,833 to \$3,827 for the 2013-2014 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 are comprised of 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 is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

GRANT COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

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 funds, 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 and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 23 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 24 through 39 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 \$23,367,279 as of June 30, 2014.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), 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)
(Continued)
Year Ended June 30, 2014

Net Position for the periods ending June 30, 2014 and 2013

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 9,372,176	\$ 10,974,854
Noncurrent assets	<u>56,577,077</u>	<u>56,016,723</u>
Total assets	<u>\$65,949,253</u>	<u>\$ 66,991,577</u>
Current liabilities	\$ 4,738,090	\$ 3,205,735
Noncurrent liabilities	<u>37,843,883</u>	<u>39,212,277</u>
Total liabilities	<u>\$42,581,973</u>	<u>\$ 42,418,012</u>
Net position		
Investment in capital assets (net of debt)	\$ 16,490,558	\$ 14,870,223
Restricted	3,679,292	6,413,078
Unrestricted	<u>3,197,430</u>	<u>3,290,264</u>
Total net position	<u>\$23,367,280</u>	<u>\$ 24,573,565</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$41,213,313, net of inter-fund transfers, of \$126,502.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$8,159,980 more than budget or approximately 25% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Comments on General Fund Budget Comparisons (Continued)

- General Fund actual expenditures were \$40,203,210, net of inter-fund transfers of \$270,750.
- General Fund actual expenditures were more than budgeted expenditures by \$1,606,827.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013:

	2014	2013
	<u> </u>	<u> </u>
Revenues		
Program revenues		
Charges for services	\$ 632,122	\$ 779,583
Operating grants	5,267,278	5,299,137
Capital grants	<u>2,254,171</u>	<u>2,255,263</u>
Total grant revenues	<u>8,153,571</u>	<u>8,333,983</u>
General Revenues		
Property taxes	7,114,854	6,818,272
Grants and entitlements	21,469,192	20,889,577
Earnings on investments	48,742	103,766
Miscellaneous	<u>152,932</u>	<u>64,883</u>
Total general revenues	<u>28,785,720</u>	<u>27,876,498</u>
Total revenues	<u>36,939,291</u>	<u>36,210,481</u>
Expenses		
Instructional	19,353,907	19,581,794
Student support services	1,787,277	1,882,393
Instructional support	2,057,619	2,087,432
District administration	705,850	609,423
School administration	1,930,729	1,886,418
Business support	691,447	592,931
Plant operations and maintenance	3,307,127	3,878,990
Student transportation	2,579,462	2,450,847
Other instructional	1,850	71,030
Adult education	-	326,057
Food service operations	107,091	105,718
Facilities acquisition and construction	369,657	286,283
Community service activities	329,714	15,551
Other	-	22,986
Debt services	1,889,511	1,506,125
Food service	<u>2,695,591</u>	<u>2,759,806</u>
Total expenses	<u>37,806,832</u>	<u>38,063,784</u>
Deficit of revenues over expenses	<u>\$ (867,541)</u>	<u>\$ (1,853,303)</u>

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

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	\$ 4,099	\$ 27,660	\$ 28,501	\$ 636	\$ 3,894
Special revenue	-	3,310	3,365	55	-
Capital outlay	348	351	-	(343)	356
Building	373	3,203	-	(3,114)	462
Construction	408	12	2,985	4,470	1,905
Debt Service	4,427	358	7,689	2,904	-

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

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental assets				
Capital assets	\$ 78,599	\$ 3,410	\$ 46	\$ 81,963
Accumulated depreciation	25,333	2,404	28	27,709
Business-type assets				
Capital assets	4,451	60	-	4,511
Accumulated depreciation	2,020	167	-	2,187
Long-term debt				
Bonds payable	39,694	4,470	5,950	38,214
Capital leases payable	1,473	702	302	1,873

CURRENT ISSUES

In fiscal year 2014-2015, the District will be paying 2.25% of the District's certified payroll towards the health contribution for teacher retirement. The amount will increase to 3% in fiscal year 2015-2016. This amount comes directly out of the General Fund.

All employees received a mandated 1% increase in addition to their step increase for 2014-2015. The district is mandated to give all employees a 2% increase in 2015-2016.

The District saw an increase in property values of approximately \$11 million for fiscal 2014-2015.

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Mr. Ronald Gene Livingood, Superintendent, or Mr. Matt Morgan, Assistant Superintendent of Finance and Personnel, by telephone at (859) 824-3233 or by mail to the Central Office, 820 Arnie Risen Boulevard, Williamstown, Kentucky 41097-0639.

GRANT COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 7,698,656	\$ 890,442	\$ 8,589,098
Accounts receivable	416,806	40,875	457,681
Prepaid expenses	281,790	-	281,790
Inventory	-	43,607	43,607
Total current	<u>8,397,252</u>	<u>974,924</u>	<u>9,372,176</u>
Noncurrent:			
Nondepreciated capital assets			
Land	2,510,500	-	2,510,500
Depreciated capital assets			
Construction in progress	3,317,178	-	3,317,178
Land improvements	2,068,012	-	2,068,012
Buildings and improvements	63,314,814	3,029,824	66,344,638
Furniture and equipment	10,752,230	1,481,033	12,233,263
Less accumulated depreciation	<u>(27,709,037)</u>	<u>(2,187,477)</u>	<u>(29,896,514)</u>
Total noncurrent	<u>54,253,697</u>	<u>2,323,380</u>	<u>56,577,077</u>
Total assets	<u>62,650,949</u>	<u>3,298,304</u>	<u>65,949,253</u>
Liabilities			
Current:			
Accrued interest	491,809	-	491,809
Current portion of bonds payable	1,990,000	-	1,990,000
Current portion of capital lease obligation	392,040	-	392,040
Current portion of accrued sick leave	15,489	-	15,489
Accounts payable	1,049,035	18,759	1,067,794
Assessed KISBIT liability	50,511	-	50,511
Accrued payroll and related liabilities	390,864	-	390,864
Unearned revenue	339,583	-	339,583
Total current	<u>4,719,331</u>	<u>18,759</u>	<u>4,738,090</u>
Noncurrent:			
Accrued sick leave	139,404	-	139,404
Capital lease obligation	1,480,479	-	1,480,479
Long-term bonds payable	36,224,000	-	36,224,000
Total noncurrent	<u>37,843,883</u>	<u>-</u>	<u>37,843,883</u>
Total liabilities	<u>42,563,214</u>	<u>18,759</u>	<u>42,581,973</u>
Net Position			
Invested in capital assets, net of related debt	14,167,178	2,323,380	16,490,558
Restricted	2,723,127	956,165	3,679,292
Unrestricted	3,197,430	-	3,197,430
Total net position	<u>\$ 20,087,735</u>	<u>\$ 3,279,545</u>	<u>\$ 23,367,280</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Activities- District Wide
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instructional	\$ 19,353,907.00	\$ -	\$ 2,372,416	\$ -	\$ (16,981,491)	\$ -	\$ (16,981,491)
Student support services	1,787,277	-	174,239	-	(1,613,038)	-	(1,613,038)
Staff support services	2,057,619	-	407,721	-	(1,649,898)	-	(1,649,898)
District administration	705,850	-	-	-	(705,850)	-	(705,850)
School administration	1,930,729	-	-	-	(1,930,729)	-	(1,930,729)
Business support services	691,447	-	-	-	(691,447)	-	(691,447)
Plant operation and maintenance	3,307,127	-	15,788	-	(3,291,339)	-	(3,291,339)
Student transportation	2,579,462	-	21,164	-	(2,558,298)	-	(2,558,298)
Other instructional	1,850	-	-	-	(1,850)	-	(1,850)
Community services	329,714	-	318,405	-	(11,309)	-	(11,309)
Food service operation	107,091	-	-	-	(107,091)	-	(107,091)
Facilities acquisition and construction	369,657	-	-	2,254,171	1,884,514	-	1,884,514
Interest on long-term debt	1,889,511	-	-	-	(1,889,511)	-	(1,889,511)
Total governmental activities	35,111,241	-	3,309,733	2,254,171	(29,547,337)	-	(29,547,337)
Business-type activities							
Food service	2,695,591	632,122	1,957,545	-	-	(105,924)	(105,924)
Total business-type activities	2,695,591	632,122	1,957,545	-	-	(105,924)	(105,924)
Total school district	\$ 37,806,832	\$ 632,122	\$ 5,267,278	\$ 2,254,171	\$ (29,547,337)	\$ (105,924)	\$ (29,653,261)
General revenues							
Taxes					\$ 7,114,854	\$ -	\$ 7,114,854
State and federal aid formula grants					21,469,192	-	21,469,192
Investment earnings					44,473	4,269	48,742
Loss on sale of fixed assets					(17,672)	-	(17,672)
Interfund transfers					139,073	-	139,073
Miscellaneous					-	31,531	31,531
Total general revenues					28,749,920	35,800	28,785,720
Change in net position					(797,417)	(70,124)	(867,541)
Net position, beginning of year					21,223,896	3,349,669	24,573,565
Net position, prior period adjustment					(338,744)	-	(338,744)
Net positon, end of year					\$ 20,087,735	\$ 3,279,545	\$ 23,367,280

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Current						
Cash and cash equivalents	\$ 4,161,216	\$ 234,159	\$ 2,829,022	\$ (281,790)	\$ 756,049	\$ 7,698,656
Accounts receivable	244,845	109,473	-	-	62,488	416,806
Prepaid Expenses	-	-	-	281,790	-	281,790
Total current	<u>\$ 4,406,061</u>	<u>\$ 343,632</u>	<u>\$ 2,829,022</u>	<u>\$ -</u>	<u>\$ 818,537</u>	<u>\$ 8,397,252</u>
Liabilities and Fund Balance						
Current						
Accounts payable	\$ 120,554	\$ 4,049	\$ 924,432	\$ -	\$ -	\$ 1,049,035
Accrued payroll and related liabilities	390,864	-	-	-	-	390,864
Unearned revenue	-	339,583	-	-	-	339,583
Total liabilities	<u>511,418</u>	<u>343,632</u>	<u>924,432</u>	<u>-</u>	<u>-</u>	<u>1,779,482</u>
Fund Balance						
Restricted						
Capital projects	-	-	1,904,590	-	818,537	2,723,127
Committed						
Sick leave	154,893	-	-	-	-	154,893
Site based carryforward	309,153	-	-	-	-	309,153
Unassigned	3,430,597	-	-	-	-	3,430,597
Total fund balances	<u>3,894,643</u>	<u>-</u>	<u>1,904,590</u>	<u>-</u>	<u>818,537</u>	<u>6,617,770</u>
Total liabilities and fund balance	<u>\$ 4,406,061</u>	<u>\$ 343,632</u>	<u>\$ 2,829,022</u>	<u>\$ -</u>	<u>\$ 818,537</u>	<u>\$ 8,397,252</u>

See 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, 2014**

Total fund balance per fund financial statements		\$ 6,617,770
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	81,962,734	
Accumulated depreciation	<u>(27,709,037)</u>	54,253,697
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds payable	(38,214,000)	
Capital leases	(1,872,519)	
Assessed KISBIT liability	(50,511)	
Accrued interest on bonds	(491,809)	
Accrued sick leave	<u>(154,893)</u>	<u>(40,783,732)</u>
Total net position - governmental		<u>\$ 20,087,735</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014**

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 5,464,089	\$ -	\$ -	\$ -	\$ 1,650,765	\$ 7,114,854
Earnings on investments	25,144	400	11,529	-	7,799	44,872
State sources	21,048,151	1,082,994	-	358,057	1,773,854	24,263,056
Federal sources	256,354	2,117,583	-	-	122,260	2,496,197
Other sources	164,687	108,756	-	-	-	273,443
Total revenues	<u>26,958,425</u>	<u>3,309,733</u>	<u>11,529</u>	<u>358,057</u>	<u>3,554,678</u>	<u>34,192,422</u>
Expenditures						
Instructional	15,560,580	2,427,782	-	-	-	17,988,362
Student support services	1,441,432	174,239	-	-	-	1,615,671
Staff support services	1,640,278	407,721	-	-	-	2,047,999
District administration	550,370	-	-	-	-	550,370
School administration	1,915,550	-	-	-	-	1,915,550
Business support services	689,327	-	-	-	-	689,327
Plant operation and maintenance	3,203,812	15,788	-	-	-	3,219,600
Student transportation	3,037,852	21,164	-	-	-	3,059,016
Community service operations	1,416	318,405	-	-	-	319,821
Food service operation	107,091	-	-	-	-	107,091
Facility acquisition and construction	-	-	2,984,594	-	-	2,984,594
Debt service:	353,508	-	-	7,689,520	-	8,043,028
Total expenditures	<u>28,501,216</u>	<u>3,365,099</u>	<u>2,984,594</u>	<u>7,689,520</u>	<u>-</u>	<u>42,540,429</u>
Excess (deficit) of revenues over expenditures	<u>(1,542,791)</u>	<u>(55,366)</u>	<u>(2,973,065)</u>	<u>(7,331,463)</u>	<u>3,554,678</u>	<u>(8,348,007)</u>
Other financing sources (uses)						
Proceeds from capital lease	702,241	-	-	-	-	702,241
Proceeds from sale of bonds	-	-	4,470,000	-	-	4,470,000
Operating transfers in	691,573	55,366	-	2,904,413	-	3,651,352
Operating transfers out	<u>(55,366)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,456,913)</u>	<u>(3,512,279)</u>
Total other financing sources (uses)	<u>1,338,448</u>	<u>55,366</u>	<u>4,470,000</u>	<u>2,904,413</u>	<u>(3,456,913)</u>	<u>5,311,314</u>
Net change in fund balance	<u>(204,343)</u>	<u>-</u>	<u>1,496,935</u>	<u>(4,427,050)</u>	<u>97,765</u>	<u>(3,036,693)</u>
Fund balance, July 1, 2013	<u>4,098,986</u>	<u>-</u>	<u>407,655</u>	<u>4,427,050</u>	<u>720,772</u>	<u>9,654,463</u>
Fund balance, June 30, 2014	<u>\$ 3,894,643</u>	<u>\$ -</u>	<u>\$ 1,904,590</u>	<u>\$ -</u>	<u>\$ 818,537</u>	<u>\$ 6,617,770</u>

See 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
Year Ended June 30, 2014**

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

Net change in total fund balances per fund financial statements		\$ (3,036,693)
Proceeds from bond sale		(4,470,000)
Proceeds from capital leases		(702,241)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(2,403,984)	
Retirement of capital assets	(17,672)	
Construction in progress	3,317,178	
Capital outlays	92,435	
		987,957
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal paid	1,910,000	
Refinancing of bond obligations	4,040,000	
Capital lease payments	302,222	
		6,252,222
<p>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.</p>		
		171,338
Changes in net position of governmental activities		\$ (797,417)

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – General Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 4,990,603	\$ 5,450,508	\$ 5,464,088	\$ 13,580
Earnings on investments	31,000	25,144	25,144	-
Other local revenue	16,000	164,687	164,687	-
State sources	15,442,614	21,009,621	21,048,152	38,531
Federal	87,300	246,693	256,354	9,661
Other revenues	101,000	-	-	-
Total revenues	<u>20,668,517</u>	<u>26,896,653</u>	<u>26,958,425</u>	<u>61,772</u>
Expenditures				
Instructional	12,475,438	15,531,049	15,560,578	(29,529,000)
Student support services	1,086,386	1,441,432	1,441,432	-
Staff support services	1,333,901	1,640,277	1,640,277	-
District administration	461,120	550,370	550,370	-
School administration	1,635,546	1,915,550	1,915,552	(2,000)
Business support services	493,506	689,118	689,328	(210,000)
Plant operation and maintenance	2,841,751	3,177,933	3,203,812	(25,879)
Student transportation	2,219,530	2,326,841	2,335,611	(8,770,000)
Other instructional	-	-	-	-
Food service operation	94,503	107,091	107,091	-
Contingency	1,662,014	-	-	-
Community service operations	2,380	1,416	1,416	-
Facility acquisition and construction	-	-	-	-
Debt service	-	353,508	353,508	-
Total expenditures	<u>24,306,075</u>	<u>27,734,585</u>	<u>27,798,975</u>	<u>(64,390)</u>
Excess (deficit) of revenues over expenditures	<u>(3,637,558)</u>	<u>(837,932)</u>	<u>(840,550)</u>	<u>(2,618)</u>
Other Financing Sources (Uses)				
Operating transfers in	120,000	691,573	691,573	-
Operating transfers out	<u>(442,670)</u>	<u>(55,366)</u>	<u>(55,366)</u>	<u>-</u>
Total other financing sources (uses)	<u>(322,670)</u>	<u>636,207</u>	<u>636,207</u>	<u>-</u>
Net change in fund balance	(3,960,228)	(201,725)	(204,343)	(2,618)
Fund balance, July 1, 2013	3,960,228	3,977,087	4,098,986	121,899
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ 3,775,362</u>	<u>\$ 3,894,643</u>	<u>\$ 119,281</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Other local revenue	\$ 103,000	\$ 108,756	\$ 108,756	\$ -
State sources	1,202,655	1,082,994	1,082,994	-
Federal sources	1,955,070	2,117,583	2,117,583	-
Other sources	100	400	400	-
Total revenues	<u>3,260,825</u>	<u>3,309,733</u>	<u>3,309,733</u>	<u>-</u>
Expenditures				
Instruction	2,497,900	2,427,782	2,427,782	-
Student support services	175,611	174,039	174,239	(200)
Instruction staff support services	319,850	407,721	407,721	-
Plant operation and maintenance	-	15,788	15,788	-
Student transportation	37,695	21,164	21,164	-
Community service operations	317,304	318,605	318,405	200
Total expenditures	<u>3,348,360</u>	<u>3,365,099</u>	<u>3,365,099</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	<u>(87,535)</u>	<u>(55,366)</u>	<u>(55,366)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in	87,535	55,366	55,366	-
Total other financing sources (uses)	<u>87,535</u>	<u>55,366</u>	<u>55,366</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Construction Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Earnings on investments	\$ -	\$ -	\$ 11,529	\$ 11,529
Total revenues	<u>-</u>	<u>-</u>	<u>11,529</u>	<u>11,529</u>
Expenditures				
Building improvements	-	4,737,046	2,984,594	1,752,452
Total expenditures	<u>-</u>	<u>4,737,046</u>	<u>2,984,594</u>	<u>1,752,452</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(4,737,046)</u>	<u>(2,973,065)</u>	<u>1,763,981</u>
Other Financing Sources (Uses)				
Proceeds from bond sale	-	4,402,896	4,470,000	67,104
Operating transfers in	-	334,150	-	(334,150)
Total other financing sources (uses)	<u>-</u>	<u>4,737,046</u>	<u>4,470,000</u>	<u>(267,046)</u>
Net change in fund balance	-	-	1,496,935	1,496,935
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>407,655</u>	<u>407,655</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,904,590</u>	<u>\$ 1,904,590</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Debt Service Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State sources	\$ -	\$ -	\$ 358,057	\$ 358,057
Total revenues	<u>-</u>	<u>-</u>	<u>358,057</u>	<u>358,057</u>
Expenditures				
Debt Service	3,260,128	3,260,128	7,689,522	(4,429,394)
Total expenditures	<u>3,260,128</u>	<u>3,260,128</u>	<u>7,689,522</u>	<u>(4,429,394.0)</u>
Excess (deficit) of revenues over expenditures	<u>(3,260,128)</u>	<u>(3,260,128)</u>	<u>(7,331,465)</u>	<u>(4,071,337)</u>
Other Financing Sources (Uses)				
Operating transfers in	3,260,128	3,260,128	2,904,415	(355,713)
Total other financing sources (uses)	<u>3,260,128</u>	<u>3,260,128</u>	<u>2,904,415</u>	<u>(355,713)</u>
Net change in fund balance	\$ -	\$ -	\$ (4,427,050)	\$ (4,427,050)
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>4,427,050</u>	<u>4,427,050</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2014**

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 850,937	\$ 39,505	\$ 890,442
Accounts receivable	40,875	-	40,875
Inventories for consumption	43,607	-	43,607
Total current	<u>935,419</u>	<u>39,505</u>	<u>974,924</u>
Noncurrent			
Furniture and fixtures	4,510,857	-	4,510,857
Less: accumulated depreciation	<u>(2,187,477)</u>	<u>-</u>	<u>(2,187,477)</u>
Total noncurrent	<u>2,323,380</u>	<u>-</u>	<u>2,323,380</u>
Total assets	<u>3,258,799</u>	<u>39,505</u>	<u>3,298,304</u>
Liabilities and Net Position			
Current:			
Accounts payable	16,909	1,850	18,759
Total current	<u>16,909</u>	<u>1,850</u>	<u>18,759</u>
Net Position			
Invested in assets, net of debt	2,323,380	-	2,323,380
Nonspendable - inventories	43,607	-	43,607
Restricted			
Net position	<u>874,903</u>	<u>37,655</u>	<u>912,558</u>
Total net position	<u>\$ 3,241,890</u>	<u>\$ 37,655</u>	<u>\$ 3,279,545</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2014**

	Food Service Fund	Other Enterprise Funds	Total
Operating revenues			
Lunchroom sales	\$ 632,122	\$ -	\$ 632,122
Other operating revenues	-	31,531	31,531
Total operating revenues	<u>632,122</u>	<u>31,531</u>	<u>663,653</u>
Operating expenses			
Salaries and benefits	1,137,335	134	1,137,469
Contract services	62,414	4,612	67,026
Materials and supplies	1,159,928	22,810	1,182,738
Depreciation	167,716	-	167,716
Other operating expenses	800	769	1,569
Total operating expenses	<u>2,528,193</u>	<u>28,325</u>	<u>2,556,518</u>
Operating income (loss)	<u>(1,896,071)</u>	<u>3,206</u>	<u>(1,892,865)</u>
Nonoperating revenues (expenses)			
Federal grants	1,625,790	-	1,625,790
State grants	212,555	-	212,555
Donated commodities and other donations	119,200	-	119,200
Interest income	4,269	-	4,269
Loss on disposal of capital assets	-	-	-
Transfers	(139,073)	-	(139,073)
Total nonoperating revenues	<u>1,822,741</u>	<u>-</u>	<u>1,822,741</u>
Net change in net position	(73,330)	3,206	(70,124)
Total net position, July 1, 2013	<u>3,315,220</u>	<u>34,449</u>	<u>3,349,669</u>
Total net position, June 30, 2014	<u>\$ 3,241,890</u>	<u>\$ 37,655</u>	<u>\$ 3,279,545</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2014**

	Food Service Fund	Other Enterprise	Total
Cash flows from operating activities			
Cash received from lunchroom sales	\$ 632,122	\$ -	\$ 632,122
Cash received from other activities	-	31,531	31,531
Cash payments to employees for services	(1,137,335)	(134)	(1,137,469)
Cash payments to suppliers for goods and services	(1,192,652)	(25,617)	(1,218,269)
Cash payments for other operating activities	(800)	(769)	(1,569)
Net cash provided by (used in) operating activities	<u>(1,698,665)</u>	<u>5,011</u>	<u>(1,693,654)</u>
Cash flows from capital financing activities			
Acquisition of capital assets	<u>(58,857)</u>	-	<u>(58,857)</u>
Net cash used in capital financing activities	<u>(58,857)</u>	<u>-</u>	<u>(58,857)</u>
Cash flows from noncapital financing activities			
Non-operating grants received	<u>2,076,053</u>	-	<u>2,076,053</u>
Net cash provided by noncapital financing activities	<u>2,076,053</u>	<u>-</u>	<u>2,076,053</u>
Cash flows from investing activities			
Transfer of funds	(139,073)	-	(139,073)
Interest on investments	4,269	-	4,269
Net cash used in investing activities	<u>(134,804)</u>	<u>-</u>	<u>(134,804)</u>
Net increase (decrease) in cash and cash equivalents	183,727	5,011	188,738
Cash and cash equivalents, beginning of year	<u>667,210</u>	<u>34,494</u>	<u>701,704</u>
Cash and cash equivalents, end of year	<u>\$ 850,937</u>	<u>\$ 39,505</u>	<u>\$ 890,442</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating income (loss)	\$ (1,896,071)	\$ 3,206	\$ (1,892,865)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	167,716	-	167,716
Changes in assets and liabilities:			
Decrease in inventory	16,222	-	16,222
Increase in accounts payable	13,468	1,805	15,273
Net cash provided by (used in) operating activities	<u>(1,698,665)</u>	<u>5,011</u>	<u>(1,693,654)</u>
Schedule of non-cash transactions			
Donated commodities received from federal government	<u>\$ 119,200</u>	<u>\$ -</u>	<u>\$ 119,200</u>

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT
Statement of Net Position – Fiduciary Funds
Year Ended June 30, 2014

	Trust/Agency Fund	School Activity Funds	Total
Assets			
Current:			
Cash and cash equivalents	\$ 57,079	\$ 432,672	\$ 489,751
Total current	57,079	432,672	489,751
Liabilities			
Current:			
Due to student groups	-	432,672	432,672
Total current	-	432,672	432,672
Net Position			
Unrestricted	57,079	-	57,079
Total net position	57,079	-	57,079
Total liabilities and net position	\$ 57,079	\$ 432,672	\$ 489,751

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014**

	Trust/Agency Fund	Total
Additions		
Net interest and investment gains	\$ 284	\$ 284
Other additions	3,429	3,429
Total additions	3,713	3,713
Deductions		
Salaries and benefits	-	-
Contract services	3,722	3,722
Total deductions	3,722	3,722
Net change in fund balance	(9)	(9)
Fund balance, July 1, 2013	57,088	57,088
Fund balance, June 30, 2014	\$ 57,079	\$ 57,079

See notes to the financial statements

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 - 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 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 Board 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 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 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 pages 53. This is a major fund of the District.

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

(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.
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.
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 Fund (Enterprise Fund)

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.

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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.

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, is 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.

Unearned Revenue – Unearned 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 unearned 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.

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.

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 position 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 position 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.

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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:

Description	Governmental Activities Estimated Lives
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

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.

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 position, 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.

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 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.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as non-operating 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 2 - 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 3 – CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at time, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

Governmental Activities	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Land and land improvements	\$ 4,578,512	\$ -	\$ -	\$ 4,578,512
Buildings and improvements	63,314,814	-	-	63,314,814
Technology equipment	4,145,021	92,435	44,996	4,192,460
Vehicles	4,578,166	-	-	4,578,166
General equipment	1,982,617	-	1,013	1,981,604
Construction in progress	-	3,317,178	-	3,317,178
Totals at historical cost	78,599,130	3,409,613	46,009	81,962,734
Less accumulated depreciation:				
Land improvements	1,509,339	98,308	-	1,607,647
Buildings and improvements	16,084,231	1,480,373	-	17,564,604
Technology equipment	3,277,820	391,548	27,324	3,642,044
Vehicles	3,117,937	342,447	-	3,460,384
General equipment	1,344,063	91,308	1,013	1,434,358
Total accumulated depreciation	25,333,390	2,403,984	28,337	27,709,037
Governmental activities capital assets - net	\$ 53,265,740	\$ 1,005,629	\$ 17,672	\$ 54,253,697
Business-Type Activities				
Buildings and improvements	\$ 2,970,967	\$ 58,857	\$ -	\$ 3,029,824
Technology equipment	53,228	-	-	53,228
General equipment	1,427,805	-	-	1,427,805
Totals at historical cost	4,452,000	58,857	-	4,510,857
Less accumulated depreciation:				
Buildings and improvements	1,148,750	84,281	-	1,233,031
Technology equipment	41,399	79,419	-	120,818
General equipment	829,612	4,016	-	833,628
Total accumulated depreciation	2,019,761	167,716	-	2,187,477
Business-type activities capital assets - net	\$ 2,432,239	\$ (108,859)	\$ -	\$ 2,323,380

NOTE 5 - 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, 2014 this amount totaled approximately \$309,787 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 6 – COMMITMENTS UNDER CAPITAL LEASES

The district is the lessee of buses under capital leases expiring between 2014 and 2024. 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, 2014, for each of the next five years and in the aggregate are as follows:

	2014 - 2015	\$ 392,040
	2015 - 2016	323,809
	2016 - 2017	317,406
	2017 - 2018	247,608
	2018 - 2019	239,577
	Thereafter	<u>554,693</u>
	Total minimum rentals	<u>2,075,133</u>
	Less amount representing interest	<u>202,614</u>
	Present value of net minimum lease payments	<u>\$ 1,872,519</u>

NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease 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%

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT (Continued)

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 by the Grant County School District Finance Corporation to construct school facilities.

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. Note 17 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 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, 2014 for debt service (principal and interest) are reported in Note 17.

NOTE 8 - 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 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system. 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, 2014, was \$2,000,129, which consisted of \$341,476 from the District and \$1,658,653 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$1,859,194 and \$1,776,452, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

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, 2014, was \$1,220,614, which consisted of \$955,078 from the District and \$265,536 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$1,245,590 and \$1,194,772 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

The District's total payroll for the year was \$19,660,757. The payroll for employees covered under KTRS was \$14,604,761 and for CERS was \$5,055,996.

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.

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 9 - 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 grantors 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 10 - 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.

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 11 - 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 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. 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 member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 12 - 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, resulting in a corresponding reduction of fund balance:

Debt Service	\$ 4,427,050
General Fund	204,343
Grant County High School	85,526
Food Service	73,330
Grant County Middle School	6,524
Dry Ridge Elementary	4,215
Sherman Elementary	3,230
Crittenden Mt. Zion Elementary	77
Trust and Agency	9

NOTE 13 - 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 14 - 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, 2014, 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 \$69,380. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 15 - 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>
Building Fund	General Fund	Operating	\$ 209,500
Capital Outlay Fund	General Fund	Operating	343,000
Food Service	General Fund	Indirect Cost	139,073
General Fund	Special Revenue	Matching	55,366
Building Fund	Debt Service	Debt Service	2,904,413

NOTE 16 - ON-BEHALF PAYMENTS

For the year ended June 30, 2014 total payments of \$5,652,262 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 recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 5,081,650
Debt Service	358,057
Food Service Fund	<u>212,555</u>
	<u>\$ 5,652,262</u>

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 - SCHEDULE OF LONG-TERM DEBT

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2014 is as follows:

2005, 2005A, 2005B, 2006, 2007, 2010, 2010R, 2013 AND 2014 Series					
Fiscal Year	Grant County School District		Kentucky School Facilities Construction Commission		Total Requirements
	Principal	Interest	Principal	Interest	
2014-2015	\$ 1,739,486	\$ 1,246,441	\$ 250,514	\$ 107,959	\$ 3,344,400
2015-2016	1,802,121	1,183,170	251,879	99,932	3,337,102
2016-2017	1,861,610	1,120,165	243,390	91,454	3,316,619
2017-2018	1,930,014	1,054,674	194,986	83,035	3,262,709
2018-2019	1,993,028	992,181	201,972	76,047	3,263,228
2019-2020	2,054,935	927,002	185,065	68,776	3,235,778
2020-2021	2,128,442	853,404	91,558	61,185	3,134,589
2021-2022	2,199,343	785,673	95,657	57,087	3,137,760
2022-2023	2,269,876	715,180	100,124	52,620	3,137,800
2023-2024	2,335,095	648,441	104,905	47,839	3,136,280
2024-2025	2,419,877	563,766	110,123	42,621	3,136,387
2025-2026	2,509,229	474,269	115,771	36,973	3,136,242
2026-2027	2,598,262	386,842	121,738	31,005	3,137,847
2027-2028	1,446,823	266,010	128,177	24,567	1,865,577
2028-2029	1,494,843	215,455	135,157	17,587	1,863,042
2029-2030	1,547,339	162,684	142,661	10,084	1,862,768
2030-2031	1,603,357	106,947	111,643	3,098	1,825,045
2031-2032	540,000	67,800	-	-	607,800
2032-2033	565,000	46,200	-	-	611,200
2033-2034	590,000	23,600	-	-	613,600
	<u>\$ 35,628,680</u>	<u>\$ 11,839,904</u>	<u>\$ 2,585,320</u>	<u>\$ 911,869</u>	<u>\$ 50,965,773</u>

A summary of the changes in principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2014 is as follows:

Governmental Activities	Balance July 01, 2013	Additions	Payments	Amount Refinance	Balance June 30, 2014
Bond Obligations	\$ 39,694,000	\$ 4,470,000	\$ 1,910,000	\$ 4,040,000	\$ 38,214,000
Capital Leases	<u>\$ 1,472,500</u>	<u>\$ 702,241</u>	<u>\$ 302,222</u>	<u>\$ -</u>	<u>\$ 1,872,519</u>

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 - PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net position of the governmental fund activities have been decreased by \$338,744. The governmental funds had a balance at June 30, 2013 of \$21,223,896. The balance should have been \$20,885,152. The change is the result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$338,744.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2014, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

GRANT COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-major Government Funds</u>
Assets			
Current:			
Cash and cash equivalents	\$ 356,380	\$ 399,669	\$ 756,049
Accounts receivable	-	62,488	62,488
	<hr/>	<hr/>	<hr/>
Total current	<u>\$ 356,380</u>	<u>\$ 462,157</u>	<u>\$ 818,537</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Total current	-	-	-
Fund Balances:			
Restricted:			
Capital projects fund	356,380	462,157	818,537
Unrestricted	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>\$ 356,380</u>	<u>\$ 462,157</u>	<u>\$ 818,537</u>

GRANT COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-major Government Funds</u>
REVENUES			
Taxes	\$ -	1,650,765	\$ 1,650,765
Earnings on investments	2,771	5,028	7,799
Federal - Indirect	-	122,260	122,260
State sources	348,408	1,425,446	1,773,854
Other local sources	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	351,179	3,203,499	3,554,678
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	351,179	3,203,499	3,554,678
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(343,000)	(3,113,913)	(3,456,913)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(343,000)	(3,113,913)	(3,456,913)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	8,179	89,586	97,765
Fund balance, July 1, 2013	348,201	372,571	720,772
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2014	\$ 356,380	\$ 462,157	\$ 818,537
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GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Bond and Interest Redemption Funds
Year Ended June 30, 2014**

	<u>Issue of 2005</u>	<u>Issue of 2005A</u>	<u>Issue of 2005B</u>	<u>Issue of 2006</u>	<u>Issue of 2007</u>	<u>Issue of 2010</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	4,582,159	1,198,200	27,194	147,384	867,219	581,484
Disbursements:						
Bonds paid	4,185,000	1,025,000	24,240	85,000	250,000	195,000
Interest coupons	397,159	173,200	2,954	62,384	617,219	386,484
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	4,582,159	1,198,200	27,194	147,384	867,219	581,484
Excess of disbursements over receipts	-	-	-	-	-	-
Cash at June 30, 2014	-	-	-	-	-	-
Accounts Receivable and Payable:						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund balance at June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>Issue of 2010R</u>	<u>Issue of 2013</u>	<u>Issue of 2014</u>	<u>Capital Lease Payments</u>	<u>Total</u>	
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	
Receipts:						
Transfers and miscellaneous deposits	138,908	146,855	-	353,625	8,043,028	
Disbursements:						
Bonds paid	80,000	85,000	-	302,222	6,231,462	
Interest coupons	58,908	61,855	-	51,403	1,811,566	
Transfers and miscellaneous	-	-	-	-	-	
Call fee	-	-	-	-	-	
Total disbursements	138,908	146,855	-	353,625	8,043,028	
Excess of disbursements over receipts	-	-	-	-	-	
Cash at June 30, 2014	-	-	-	-	-	
Accounts Receivable and Payable:						
Matured interest and bonds outstanding	-	-	-	-	-	
Due from other funds	-	-	-	-	-	
Due to other funds	-	-	-	-	-	
Total accounts receivable and payable	-	-	-	-	-	
Fund balance at June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Grant County High School Activity Funds
Year Ended June 30, 2014**

	Fund Balance July 01, 2013	Receipts	Disbursements	Fund Balance June 30,2014
Academic team	\$ 2,982	\$ -	\$ 740	\$ 2,242
Ad achievers	110	-	-	110
Adam Allie Fund	191	-	-	191
Advanced placement	4,473	-	-	4,473
Ag achievers grant	-	4,500	4,500	-
Ag classroom	536	190	666	60
Amy Robinson	59	-	-	59
Annual	7,404	2,484	-	9,888
Art	2,615	4,310	5,999	926
Assessment committee	687	-	-	687
Athletic director	3,808	15,949	16,088	3,669
Band	-	6,369	6,369	-
Baseball	859	5,138	5,205	792
Basketball holiday tour	1,935	-	1,935	-
Biology field trip	234	1,987	1,712	509
Biomedical	299	5,959	6,250	8
BJ Toll scholarship	10,325	1,875	1,875	10,325
Bookfund	64,408	48,148	61,745	50,811
Boy's basketball	3,912	17,925	19,270	2,567
Boy's elementary basketball	791	6,045	5,169	1,667
Boy's golf	-	4,671	3,438	1,233
Boy's soccer	383	5,320	5,471	232
Cheerleaders	36	5,276	4,843	469
Child development	-	1,935	1,581	354
Chorus	-	38,422	35,316	3,106
Computer fund	30	-	-	30
Conscension	-	654	654	-
Cooking account	382	6,802	6,500	684
CPR	930	-	-	930
Cross country	2,665	17,865	15,043	5,487
Culinary café	593	6,760	6,582	771
Dance team	424	4,820	5,196	48
District baseball	56	-	56	-
District boys/girls	844	-	844	-
District Volleyball	65	-	65	-
Dry Ridge Toyota scholarship	4,700	-	-	4,700
Dual credit	359	4,677	1,193	3,843
English	504	120	-	624
Fashion	95	2,178	2,143	130
Fast pitch district	-	1,014	1,014	-
Fast pitch softball	1,529	3,398	3,272	1,655
FCCLA	173	39,697	39,068	802
Field trips	-	314	-	314
Floral design	859	-	-	859
Football	406	22,461	21,416	1,451
Football bowl	264	2,993	3,257	-

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Grant County High School Activity Funds
Year Ended June 30, 2014
(Continued)**

	Fund Balance July 01, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Foreign language	\$ 195	\$ 1,297	\$ 1,475	\$ 17
Future business	582	13,018	11,923	1,677
Future Farmers of America	2,702	9,672	10,515	1,859
General	503	46,086	46,472	117
Gilman Dr	6,383	7,000	2,930	10,453
Girl's basketball	2,127	10,890	11,912	1,105
Girls' basketball - regional	-	13,992	13,992	-
Girl's elementary basketball	4,103	14,666	16,944	1,825
Girl's golf	2,673	8,630	8,872	2,431
Girl's golf region 6	414	1,810	1,734	490
Girl's soccer	743	4,273	4,198	818
Greenhouse	3,533	2,639	2,534	3,638
Health Occupation	964	4,532	5,496	-
Health Sciences	-	1,222	1,058	164
ID's	71	-	-	71
KYCID	370	3,213	2,663	920
Leadership class	-	595	384	211
Library club	-	133	-	133
Lloyd Franks Scholarship	18,404	1,560	-	19,964
Locks	3,328	-	-	3,328
Marching band	5,891	21,958	25,713	2,136
Math	-	2,281	2,118	163
Math field trip	551	-	143	408
MOS certification exams	-	120	-	120
Mu Alpha Theta	-	440	415	25
National Eng. Society	659	1,028	913	774
National honor society	502	2,522	2,112	912
National technical honor	-	900	835	65
Parking stickers	2,717	959	401	3,275
PE Account	335	525	521	339
Pep club	37	320	-	357
Print shop	543	587	914	216
Project graduation	973	130	1,103	-
Prom account	9,007	11,625	6,778	13,854
R.C. Durr Foundation	1,776	15,000	13,155	3,621
Reach	2,520	1,500	2,897	1,123
Relay for Life	-	251	-	251
School play	46	-	-	46
Scienc	760	144	393	511
Senior class	2,152	23,225	17,324	8,053
Skills USA	119	4,006	3,837	288
Smoking	140	280	-	420
Social committee	-	80	69	11
Spanish honor society	-	179	108	71
Speech & drama	3,288	21	-	3,309
STLP	216	-	-	216

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Grant County High School Activity Funds
Year Ended June 30, 2014
(Continued)**

	Fund Balance July 01, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Student council	\$ 1,834	\$ 989	\$ 993	\$ 1,830
Student incentives	6,631	1,825	7,453	1,003
Teacher's lounge	1,032	1,074	1,607	499
Tech Student Assoc	2,026	9,764	8,602	3,188
Tennis	-	1,372	1,372	-
The Brave's banner	8,028	-	-	8,028
Track	2,885	6,948	7,266	2,567
UNICEF	9	-	-	9
Veteran's program fund	168	-	168	-
Video production	190	397	415	172
Volleyball	3,273	4,849	5,655	2,467
Wrestling	1,584	2,308	3,892	-
York scholarship fund	16,025	44	1,000	15,069
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Total	\$ 326,849	\$ 553,135	\$ 555,749	\$ 241,323
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GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
Year Ended June 30, 2014**

	Grant County Middle School	Crittenden Mt. Zion Elementary School	Dry Ridge Elementary School
Fund balance at July 01, 2013	\$ 61,619	\$ 44,154	\$ 43,774
Add: receipts	104,489	42,887	33,275
Less: disbursements	<u>(111,013)</u>	<u>(42,964)</u>	<u>(37,490)</u>
Fund balance at June 30, 2014	<u><u>\$ 55,095</u></u>	<u><u>\$ 44,077</u></u>	<u><u>\$ 39,559</u></u>

	Mason Corinth Elementary School	Sherman Elementary School	Total
Fund balance at July 01, 2013	\$ 36,015	\$ 16,977	\$ 202,539
Add: receipts	25,431	10,895	216,977
Less: disbursements	<u>(22,575)</u>	<u>(14,125)</u>	<u>(228,167)</u>
Fund balance at June 30, 2014	<u><u>\$ 38,871</u></u>	<u><u>\$ 13,747</u></u>	<u><u>\$ 191,349</u></u>

GRANT COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2014</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 13	\$ 712,624
Special Education_Preschool Grants	84.173	3800002 12	4,281
Special Education_Preschool Grants	84.173	3800002 13	37,388
Total Special Education Cluster			<u>754,293</u>
Adult Education - Basic Grants to States	84.002	5520912 09	14,484
Career and Technical Educaiton - Basic Grants to States	84.048	3710002 13	41,789
Career and Technical Educaiton - Basic Grants to States	84.048	3710006 13	1,711
Career and Technical Educaiton - Basic Grants to States - ARRA	84.048A	4621332 13	560
Total CFDA #84.048			<u>44,060</u>
Title I Grants to Local Educational Agencies	84.010	3100002 12	404,870
Title I Grants to Local Educational Agencies	84.010	3100002 13	691,658
Total CFDA #84.010			<u>1,096,528</u>
English Language Acquisition State Grants	84.365	3300002 12	7,740
English Language Acquisition State Grants	84.365	3300002 13	1,300
Total CFDA #84.365			<u>9,040</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 12	60,231
Title II Improving Teacher Quality State Grants	84.367	3230002 13	94,541
Total CFDA #84.367			<u>154,772</u>
Race to the Top	84.413A	3960002 11	<u>2,630</u>
Total U.S. Department of Education			<u>2,075,807</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005 13	89,991
School Breakfast Program	10.553	7760005 14	358,717
National School Lunch Program	10.555	7750002 13	219,961
National School Lunch Program	10.555	7750002 14	949,093
Summer Food Service Program for Children	10.559	7740023 13	8,029
			<u>1,625,790</u>
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	4002088	<u>119,200</u>
Total Child Nutrition Cluster			<u>1,744,990</u>
Total U.S. Department of Agriculture			<u>1,744,990</u>
Total Expenditures of Federal Awards			<u>\$ 3,820,797</u>

GRANT COUNTY SCHOOL DISTRICT

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

NOTE 1 – 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, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *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 2 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$119,200.



**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**

To the Members of the Board of Education
Grant County School District
Williamstown, Kentucky

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, each major fund, and the aggregate remaining fund information of Grant County School District, as of and for the year ended June 30, 2014, 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 13, 2014.,

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*.

We noted other matters that we reported to management of the District in a separate letter dated November 13, 2014.

**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**

(Continued)

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.

Burns, Denning & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2014



**INDEPENDENT AUDITORS' 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
Williamstown, Kentucky

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, 2014. 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, 2014.

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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)**

Report on Internal Control Over Compliance (Continued)

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.

Banner, Danning & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2014

GRANT COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

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

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

Identification of major programs

CFDA No.	Name of Federal Program or Clusters
10.553/10.555/10.559 84.010	Child Nutrition Cluster Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

GRANT COUNTY SCHOOL DISTRICT

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Reference Number	Summary of Findings	Status
No matters are reportable		

GRANT COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

In planning and performing our audit of the financial statements of Grant County School District for the year ended June 30, 2014, 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.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2014, on the financial statements of the Grant County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

GRANT COUNTY HIGH SCHOOL

No matters are reportable

GRANT COUNTY MIDDLE SCHOOL

2014-01: Signature line on voided checks not removed

Criteria – Per best practices recommended by the Kentucky Department of Education, upon voiding a check, signature lines of that voided check should be removed.

Condition – During the testing Activity Funds, it was noted that voided checks were not having the signature line properly removed from the check.

Effect – Proper documentation of the voiding process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that upon voiding a check, the signature line of that voided check should be removed.

Board Response – Staff at Grant County Middle School will be retrained on the proper procedure for handling voided checks. District office staff will conduct audits to ensure compliance.

GRANT COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

GRANT COUNTY MIDDLE SCHOOL (Continued)

2014-02: Monthly Financial Reports and Annual Financial Reports were not signed off on by the proper District personnel

Criteria – Per best practices recommended by the Kentucky Department of Education, Monthly Financial Reports and Annual Financial Reports should be reviewed and signed off on by the proper district personnel on a timely basis.

Condition – During the testing Activity Funds, it was noted that there were multiple instances of the schools Monthly Financial Reports were not signed off on by the proper District personnel.

Effect – Proper documentation of the preparation and review of the Monthly Financial Reports were documented.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the proper District personnel properly review and sign off on the School's Monthly Financial Reports on a timely basis.

Board Response – Matt Morgan, Assistant Superintendent, will sign off on each school's monthly financial report as they are received.

CRITTENDEN-MT. ZION ELEMENTARY

No matters are reportable

DRY RIDGE ELEMENTARY

No matters are reportable

MASON-CORINTH ELEMENTARY

2014-03: Invoices not marked paid

Criteria – Per best practices recommended by the Kentucky Department of Education, upon payment of an invoice, schools should mark or stamp the invoices paid.

Condition – During the testing Activity Funds, it was noted that several paid invoices were not marked or stamped to show they were paid.

Effect – Proper documentation of the payment process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that upon payment, all invoices are stamped or marked paid.

Board Response – MCE staff will be trained in the proper procedure for handling invoices. District staff will audit to ensure compliance.

GRANT COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2014

CURRENT YEAR RECOMMENDATIONS (Continued)

SHERMAN ELEMENTARY

2014-04: Invoices not marked paid

Criteria – Per best practices recommended by the Kentucky Department of Education, upon payment of an invoice, schools should mark or stamp the invoices paid.

Condition – During the testing Activity Funds, it was noted that several paid invoices were not marked or stamped to show they were paid.

Effect – Proper documentation of the payment process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that upon payment, all invoices are stamped or marked paid.

Board Response – Sherman Elementary staff will be retrained on the proper procedure for handling invoices. District staff will conduct audits to ensure compliance.

GRANT COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

GRANT COUNTY HIGH SCHOOL

No matters are reportable

GRANT COUNTY MIDDLE SCHOOL

No matters are reportable

CRITTENDEN-MT. ZION ELEMENTARY

No matters are reportable

DRY RIDGE ELEMENTARY

No matters are reportable

MASON-CORINTH ELEMENTARY

No matters are reportable

SHERMAN ELEMENTARY

No matters are reportable