

AUDITED FINANCIAL  
STATEMENTS SILVER GROVE SCHOOL DISTRICT  
SILVER GROVE, KENTUCKY  
JUNE 30, 2014

SILVER GROVE SCHOOL DISTRICT

TABLE OF CONTENTS

FOR THE YEAR ENDED JUNE 30, 2014

	PAGE
Independent Auditor's Report on the Financial Statements.....	1-2
Management's Discussion and Analysis.....	3-8
Government Wide Financial Statements:	
Statement of Net Position. ....	9
Statement of Activities. ....	10
Government Funds Financial Statements:	
Balance Sheet - Governmental Funds .....	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position .....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	14
Proprietary Funds Financial Statements:	
Statement of Net Position - Proprietary Funds .....	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	16
Statement of Cash Flows - Proprietary Funds .....	17-18
Budget Comparison Statements:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue .....	20
Statement of Fiduciary Net Position - Fiduciary Funds .....	21
Notes to Financial Statements .....	22-42
Other Supplemental Data:	
Combining Balance Sheet - Non-major Governmental Funds ...	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds .....	44
Combining Balance Sheet - All Debt Service Funds .....	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Debt Service Funds .....	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - FSPK Fund .....	47
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - SEEK Capital Outlay Fund .	48

SILVER GROVE SCHOOL DISTRICT

TABLE OF CONTENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

	PAGE
Statement of Receipts, Disbursements and Fund Balances - School Activity Funds .....	49-50
Schedule of Expenditures of Federal Awards .....	51-52
Insurance in Force .....	53
Board Members and Administrative Personnel .....	54
General Fund - Accounts Receivable .....	55
General Fund - Accounts Payable .....	56
Schedule of Findings and Questioned Costs .....	57
Schedule of Findings and Questioned Costs Prior Year Audit .....	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	59-60
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	61-62
Transmittal Letter for Management Letter Points .....	63
Management Letter Points .....	64
Statement of Certification .....	65

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove Board of Education  
Silver Grove, Kentucky

### Report on the Financial Statements

I 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 Silver Grove School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise The Silver Grove 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request and Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Due to the nature of the revenues of the Activity Funds, it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

## Opinions

In my opinion, except for the effect if any, of the matter discussed in the preceding paragraph, 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 Silver Grove 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.

## 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 through 7 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Silver Grove School District's basic financial statements. The combining and individual nonmajor fund financial statements and other information 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 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 my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 24, 2014, on my consideration of The Silver Grove School District's internal control over financial reporting and on my 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 my 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 The Silver Grove School District's internal control over financial reporting and compliance.

Cincinnati, Ohio  
October 24, 2014



SILVER GROVE INDEPENDENT PUBLIC SCHOOL DISTRICT - SILVER GROVE/KY  
**MANAGEMENT 'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2014**

As management of The Silver Grove Independent 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 audit.

**FINANCIAL HIGHLIGHTS**

The beginning general fund cash balance for the District was \$222,909, a decrease from fiscal year 2013.

The district remains committed to increasing starting teacher salaries to follow the trends in the state and to stay competitive with local districts.

The General Fund had \$2,207,189 in revenue, which primarily consisted of the state program (SEEK), local property, and motor vehicle tax revenue. Excluding inter-fund transfers, there were \$2,270,422 in General Fund expenditures.

Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. In June, 2011, the District issued a bond issue for \$580,000. It has a current debt value of \$520,000 and will complete in June, 2031. In March, 2012 the District issued another bond issue for \$975,000. This refinanced the 2004 issue, paying it off in May, 2014. This bond has a current debt value of \$925,000. It will complete in May, 2024. In October, 2012 the District issued another bond issue for \$550,000. It will complete in October, 2032. It has a current debt value of \$524,850.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

The statement of net 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 government-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 government-wide financial statements can be found on pages 9-10 of this report.

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

The basic governmental fund financial statements can be found on pages 11-14 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

#### **GOVERNMENT-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 1.232 million as of June 30, 2014.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Net Position for the period ending June 30, 2014**

Assets	
Current Assets	\$ 196,994
Non-current Assets	3,061,106
<b>Total Assets</b>	<b>3,258,100</b>
Deferred Outflows of Resources	23,891
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 31,281,991</b>
Liabilities	
Current Liabilities	\$ 203,106
Non-current Liabilities	1,846,653
<b>Total Liabilities</b>	<b>\$ 21,049,759</b>
Net Position	
Investment in capital assets (net of debt)	\$ 1,076,293
Restricted	7,614
Unreserved Fund Balance	148,325
<b>Total Net Position</b>	<b>\$ 11,232,123</b>

**Comments on Budget Comparisons**

The District's total revenues for the fiscal year ended June 30, 2014, net of interfund transfers, were \$2,702,868.

The total cost of all programs and services was \$2,593,560 net of debt service.

General fund budget expenditures to actual varied significantly in instruction. When contributions for/on behalf are adjusted, expenditures were \$23,494 over budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2014.

<b>Revenues :</b>	
Local revenue sources	\$ 1,131,006
Tuition	850
State revenue sources	910,280
Federal Revenue	154,312
Contributions on behalf	506,420
<b>Total revenues</b>	<b>2,702,868</b>
<b>Expenses :</b>	
Instruction	1,629,919
Student Support Services	69,358
Instructional Support	51,671
District Administration	339,691
School Administration	95,803
Business Support Services	39,816
Plant Operations	246,575
Student Transportation	77,821
Community Support	33,427
Debt Service	1,070,313
Capitalized Lease Obligation	9,479
<b>Total expenses</b>	<b>3,663,873</b>
Revenues in Excess (Deficit) of Expenses	\$ (961,005)

#### **General Fund Revenue**

The majority of revenue was derived from state funding (33.0%) and local taxes (47.6%).

#### **School Allocation**

Regular Instruction accounts for 60.3% of the school level expenditures.

#### **Other Allocations**

Central support services expenditures were Transportation 3.4% and Maintenance & Operations 10.3%.

## BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2014 - 2015

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. certain federal programs operate on a different fiscal calendar, but are reflected in the district's overall budget.

By statute, the budget must have a minimum 2% contingency. The district adopted a 2014-15 Working Budget with \$117,221 in contingency (6.3%). The beginning cash balance for the 2014-15 fiscal year is \$163,080. Significant Board actions that impact the 2014-15 fiscal year finances include: the discontinuation of a 401K match program for our employees (up to 1% of gross pay).

Also, we have several major additional programs/grants to our schools:

- 1) Carol B. White Grant Program (Wellness Alliance Physical Education Program)  
PEP Activities - All PEP activities will be focused to help students meet standards for nutrition and physical education.
  
- 2) Nutrition Activities
  - a. Students will understand that proper nutrition is essential to growth and development (KY Big Idea: Nutrition, NHES standard (1)
  - b. Students will understand that resources are available to assist in making nutritional choices (KY Big Idea: Nutrition, NHES standard (3)
  - c. Nutrition coaching will be provided for food service staff and nutrition teachers.
  - d. Improved student experiences to make healthy choices and put knowledge to work: Youth councils, Introduction of new foods, Enrichment experiences/Wellness field trips, Targeted enrichment activities, Quarterly nutrition stall trainings, and Assessments with youth risk behavior survey.
  
- 3) Toyota Bornlearning Academy  
Silver Grove School received a \$2,000 grant from United Way of Greater Cincinnati. Ultimately the grant is funded by Toyota to provide a Toyota Bornlearning Academy at Silver Grove School. Toyota Bornlearning Academy utilizes everyday moments to assist parents of birth to five year olds in boosting their child or grandchild's school readiness. It is a series of six monthly workshops on various monthly topics from routines to literacy. The program series concludes with a graduation presentation for series participants. Each workshop begins with a family meal. After dinner, parents remain in the library and their children are taken to the preschool room to play and partake in other organized activities. At the end, families are reunited. Parents or caregivers leave each workshop with something to take home and use with their child to enhance development. The funding received through the grant is used for food, supplies, prizes, and resources for parents.

**BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2014 - 2015 (CONTINUED)**

4) Reading & Writing Consultants

Reading & Writing Consultants have been hired by the district as part time reading and writing consultants at the elementary and middle/high school levels respectively. These two consultants work one on one, in small groups, as well as large groups to ensure that the writing curriculum is followed, rigorous, and fully implemented at all levels. Also, they work in tandem with their leveled teachers to create lessons, assignments, and assessments that ensure that every student fulfills their potential as a reader and as a writer.

5) Elementary Counseling Grant

Silver Grove is one of the recipients of a federal school counseling grant. There are three goals of the grant. Goal 1: Establish and expand professional school counseling programs. Goal 2: Improve school engagement, school environment, school safety, and improve family and community engagement. Goal 3: Provide support for military families, especially students with family in active military duty. In year one, \$8,577 will be received in the area of supplies. In year two, \$9,418 will be available in supply money, and \$7,433 in year three. The grant allows for a salary of \$25,000 plus fringe benefits.

We have attempted to be conservative in our fiscal year 2014-15 budget in order to prepare for projected state revenue shortfall.

Questions regarding this report should be directed to the Superintendent (859) 441-3873 or by mail at 101 West Third Street, Silver Grove, KY, 41085.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 146,266	\$ 5,782	\$ 152,048
Accounts receivable:			
Taxes - current	5,202		5,202
Intergovernmental - federal	32,588		32,588
Other	4,778		4,778
Inventories		2,378	2,378
<b>Total current assets</b>	<b>188,834</b>	<b>8,160</b>	<b>196,994</b>
<b>Noncurrent assets</b>			
Capital assets	6,616,618	29,747	6,646,365
Less: accumulated depreciation	{3,560,806}	{24,453}	{3,585,259}
<b>Total noncurrent assets</b>	<b>3,055,812</b>	<b>5,294</b>	<b>3,061,106</b>
<b>Total assets</b>	<b>3,244,646</b>	<b>13,454</b>	<b>3,258,100</b>
<b>Deferred outflows of resources</b>			
Discount on bonds - net	23,891		23,891
<b>Total deferred outflows of resources</b>	<b>23,891</b>		<b>23,891</b>
<b>Total assets and deferred outflows of resources</b>	<b>3,268,537</b>	<b>13,454</b>	<b>3,281,991</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 12,502	\$ 9,020	\$ 21,522
Other liabilities	9,484		9,484
Deferred revenue	33,940		33,940
Current portion of bond obligations	130,825		130,825
Current portion of capitalized lease obligation	7,335		7,335
<b>Total current liabilities</b>	<b>194,086</b>	<b>9,020</b>	<b>203,106</b>
<b>Noncurrent liabilities</b>			
Noncurrent portion of bond obligations	1,839,025		1,839,025
Noncurrent portion of capitalized lease obligation	7,628		7,628
<b>Total noncurrent liabilities</b>	<b>1,846,653</b>		<b>1,846,653</b>
<b>Total liabilities</b>	<b>2,040,739</b>	<b>9,020</b>	<b>2,049,759</b>
<b>Net position</b>			
Invested in capital assets, net of related debt	1,070,999	5,294	1,076,293
Restricted for:			
Debt service	10		10
Accumulated unpaid sick leave benefits	27,052		27,052
Capital Project Funds	(18,588)		(18,588)
Food Service		(860)	(860)
Unrestricted	148,325		148,325
<b>Total net position</b>	<b>1,227,798</b>	<b>4,434</b>	<b>1,232,232</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 3,268,537</b>	<b>\$ 13,454</b>	<b>\$3,281,991</b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 1,629,520	\$	\$ 111,876	\$	\$ (1,517,644)	\$	\$ (1,517,644)
Support services:							
Student	69,358		13,734		(55,624)		(55,624)
Instruction staff	34,370		26,542		(7,828)		(7,828)
District administrative	339,691				(339,691)		(339,691)
School administrative	95,803				(95,803)		(95,803)
Business Support Services	39,816				(39,816)		(39,816)
Plant operation and maintenance	246,575				(246,575)		(246,575)
Student transportation	77,821				(77,821)		(77,821)
Community service activities	33,427		2,160		(31,267)		(31,267)
Interest on long-term debt	95,163				(95,163)		(95,163)
Depreciation	224,559				(224,559)		(224,559)
Amortization	15,557				(15,557)		(15,557)
Interest on capitalized lease obligation	906				(906)		(906)
March, 2012 Bond Issue	940,000				(940,000)		(940,000)
Capitalized assets not included in expenditures	(107,794)				107,794		107,794
<b>Total governmental activities</b>	3,734,772		154,312		(3,580,460)		(3,580,460)
<b>Business-Type Activities</b>							
Food service	148,522	36,384	97,897			(14,241)	(14,241)
<b>Total business-type activities</b>	148,522	36,384	97,897			(14,241)	(14,241)
<b>Total primary government</b>	\$ 3,883,294	\$ 36,384	\$ 252,209	\$	(3,580,460)	(14,241)	(3,594,701)
			<b>General Revenues:</b>				
			Taxes:				
			Property taxes		1,044,132		1,044,132
			Motor vehicle taxes		52,068		52,068
			Tuition		850		850
			Investment earnings		3,398		3,398
			State and formula grants		910,280		910,280
			Miscellaneous		31,408		31,408
			On behalf payments		506,420		506,420
			<b>Total general revenues</b>		2,548,556		2,548,556
			Change in net position		(1,031,904)	(14,241)	(1,046,145)
			Net position - beginning of year as restated		2,259,702	18,675	2,278,377
			Net position - end of year		\$ 1,227,798	\$ 4,434	\$ 1,232,232

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 163,080	\$ 1,764	\$	\$ (18,578)	\$ 146,266
Accounts receivable:					
Taxes - current	5,202				5,202
Intergovernmental - federal		32,588			32,588
Other	1,248	3,530			4,778
<b>Total assets</b>	\$ 169,530	\$ 37,882	\$	\$ (18,578)	\$ 188,834
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 8,560	\$ 3,942	\$	\$	\$ 12,502
Other liabilities	9,484				9,484
Deferred revenue		33,940			33,940
<b>Total liabilities</b>	18,044	37,882			55,926
<b>Fund balances</b>					
Restricted for:					
Debt service				10	10
Capital project funds				(18,588)	(18,588)
Accumulated unpaid sick leave benefits	27,052				27,052
Unassigned:	124,434				124,434
<b>Total fund balances</b>	151,486			(18,578)	132,908
<b>Total liabilities and fund balances</b>	\$ 169,530	\$ 37,882	\$	\$ (18,578)	\$ 188,834

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total fund balance per fund financial statements	\$	132,908
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		3,055,812
Deferred outflows of resources are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		23,891
Certain liabilities (such as bonds payable, capital lease obligations, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		<u>(1,984,813)</u>
Net position for governmental activities	\$	<u>1,227,798</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 999,249	\$	\$ 44,883	\$ 1,044,132
Motor vehicle	52,068			52,068
Tuition	850			850
Earnings on investments	1,031		2,367	3,398
Other local revenues	21,412	9,996		31,408
Intergovernmental - state	728,004	143,488	38,788	910,280
Intergovernmental - federal		154,312		154,312
On behalf payments	404,575		101,845	506,420
<b>Total revenues</b>	<b>2,207,189</b>	<b>307,796</b>	<b>187,883</b>	<b>2,702,868</b>
<b>EXPENDITURES</b>				
Instruction	1,369,577	260,342		1,629,919
Support services:				
Student	69,358			69,358
Instruction staff	34,681	16,990		51,671
District administrative	338,939	752		339,691
School administrative	95,803			95,803
Business Support Services	39,816			39,816
Plant operation and maintenance	234,127		12,448	246,575
Student transportation	77,821			77,821
Community service activities	821	32,606		33,427
Debt service			1,070,313	1,070,313
Capitalized lease obligation	9,479			9,479
<b>Total expenditures</b>	<b>2,270,422</b>	<b>310,690</b>	<b>1,082,761</b>	<b>3,663,873</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(63,233)</b>	<b>(2,894)</b>	<b>(894,878)</b>	<b>(961,005)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in		2,894	968,468	971,362
Operating transfers out	{2,894}		(968,468)	(971,362)
<b>Total other financing sources (uses)</b>	<b>(2,894)</b>	<b>2,894</b>		
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(66,127)</b>		<b>(894,878)</b>	<b>(961,005)</b>
<b>Fund balance, July 1, 2013</b>	<b>217,613</b>		<b>876,300</b>	<b>1,093,913</b>
<b>Fund balance, June 30, 2014</b>	<b>\$ 151,486</b>	<b>\$</b>	<b>\$ (18,578)</b>	<b>\$ 132,908</b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in total fund balances per fund financial statements	\$	(961,005)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation and amortization expense exceeds capital outlays for the year.		
		(114,622)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but, are reductions of liabilities in the statement of activities.		
		35,150
Capitalized lease obligation		<u>8,573</u>
Change in net position of governmental activities	<u>\$</u>	<u>(1,031,904)</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION PROPRIETARY FUNDS**  
**JUNE 30, 2014**

ASSETS

Current assets		
Cash and cash equivalents	\$	5,782
Inventories		<u>2,378</u>
Total current assets		8,160
Noncurrent assets		
Capital assets		29,747
Less: accumulated depreciation		<u>(24,453)</u>
Total noncurrent assets		<u>5,294</u>
Total assets	\$	<u><u>13,454</u></u>

LIABILITIES AND NET POSITION

Current liabilities		
Accounts Payable	\$	<u>9,020</u>
Total current liabilities		9,020
Net position		
Invested in capital assets, net of related debt		5,294
Restricted for Food Service		<u>(860)</u>
Total net position		<u>4,434</u>
Total liabilities and net position	\$	<u><u>13,454</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET  
POSITION PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

OPERATING REVENUES	
Lunchroom sales	\$ 18,684
On behalf payments	<u>17,700</u>
Total operating revenues	36,384
OPERATING EXPENSES	
Salaries and wages	72,784
Materials and supplies	63,466
Other operating expenses	10,890
Depreciation	<u>1,382</u>
Total operating expenses	148,522
OPERATING INCOME (LOSS)	(112,138)
NON-OPERATING REVENUES	
Federal grants	96,618
State grant	<u>1,279</u>
Total non-operating revenues	<u>97,897</u>
Change in net position	(14,241)
Net position, July 1, 2013	<u>18,675</u>
Net position, June 30, 2014	\$ 4,434

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES		
Lunchroom sales	\$ <u>18,684</u>	\$ 18,684
Expenses		
Salaries and Wages	55,084	
Materials and supplies	54,446	
Other operating expenses	<u>10,890</u>	
		<u>120,420</u>
NET CASH USED IN OPERATING ACTIVITIES		(101,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government grants		<u>109,401</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		109,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets		<u>(725)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(725)</u>
INCREASE IN CASH		6,940
Cash at beginning of year		<u>(1,158)</u>
CASH AT END OF YEAR		<u>\$ 5,782</u>

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (112,138)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation	1,382
Changes in operating assets and liabilities:	
Increase in Accounts Payable	<u>9,020</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (101,736)</b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

Variance with

	Budgeted Amounts		Final Budget Favorable Actual	{Unfavorable}
	Original	Final		
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 953,090	\$ 953,090	\$ 999,249	\$ 46,159
Motor vehicle	45,445	45,445	52,068	6,623
Tuition and fees	1,750	1,750	850	(900)
Earnings on investments	1,000	1,000	1,031	31
Other local revenues			21,412	21,412
Intergovernmental -state	736,895	736,895	728,004	(8,891)
On behalf payments			404,575	404,575
<b>Total revenues</b>	1,738,180	1,738,180	2,207,189	469,009
<b>EXPENDITURES</b>				
Instruction	1,040,231	1,040,231	1,369,577	329,346
Support services:				
Student	96,605	96,605	69,358	(27,247)
Instruction staff	38,601	38,601	34,681	(3,920)
District administrative	318,773	318,773	338,939	20,166
School administrative	100,516	100,516	95,803	(4,713)
Business Support Services			39,816	39,816
Plant operation and maintenance	207,479	207,479	234,127	26,648
Student transportation	57,726	57,726	77,821	20,095
Community Services	750	750	821	71
Contingency	49,329	49,329		(49,329)
Capitalized lease obligation	9,486	9,486	9,479	{7}
<b>Total expenditures</b>	1,919,496	1,919,496	2,270,422	350,926
<b>Excess (deficit) of revenues over expenditures</b>	(181,316)	(181,316)	(63,233)	118,083
<b>Other financing sources (uses)</b>				
Operating transfers in				
Operating transfers out	{2,435}	(2,435)	{2,894}	{459}
<b>Total other financing sources (uses)</b>	(2,435)	(2,435)	(2,894)	(459)
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	(183,751)	(183,751)	(66,127)	117,624
<b>Fund balance, July 1, 2013</b>	183,751	183,751	217,613	33,862
<b>Fund balance, June 30, 2014</b>	\$	\$	\$ 151,486	\$ 151,486

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
SPECIAL REVENUE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable {Unfavorable}
<b>REVENUES</b>	Original	Final		
Intergovernmental - state	\$ 125,506	\$ 125,506	\$ 143,488	\$ 17,982
Intergovernmental - federal	140,285	140,285	154,312	14,027
Other local revenues			9,996	9,996
<b>Total revenues</b>	265,791	265,791	307,796	42,005
 <b>EXPENDITURES</b>				
Current				
Instruction	206,412	206,412	260,342	53,930
Support services				
Instructional staff	31,408	31,408	16,990	(14,418)
Community services	32,606	32,606	32,606	
District Administrative	749	749	752	3
<b>Total expenditures</b>	271,175	271,175	310,690	39,515
<b>Excess (deficit) of revenues over expenditures</b>	(5,384)	(5,384)	(2,894)	2,490
 <b>Other financing sources (uses)</b>				
Operating transfers in	2,435	2,435	2,894	459
Operating transfers out				
<b>Total other financing sources (uses)</b>	2,435	2,435	2,894	459
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	(2,949)	(2,949)		2,949
<b>Fund balance, July 1, 2013</b>				
<b>Fund balance, June 30, 2014</b>	\$ (2,949)	\$ (2,949)	\$	\$ 2,949

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<b>Agency Fund</b>
<b>Assets and Resources</b>	
Cash and Cash Equivalents	\$ 2,355
Accounts Receivable	220
Total Assets and Resources	2,575
 <b>Liabilities</b>	
Due to Student Groups	
School Activity Funds	2,575
Total Due to Student Groups	2,575
Total Liabilities	2,575
<b>Net Position Held in Trust</b>	<b>\$ -0-</b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES REPORTING ENTITY

The Silver Grove 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 Silver Grove School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as 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 Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Silver Grove Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board 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:

Silver Grove School District Finance Corporation - On September 14, 1992, The Silver Grove, Kentucky, Board of Education resolved to authorize the establishment of the Silver Grove 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 Board for financing the costs of school building facilities. The Board Members of the Silver Grove Board of Education also comprise the Corporation's Board of Directors.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

Basis of Presentation

Government-wide Statements The statement of net position and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities 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 programs 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 - The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

The funds of the financial reporting entity are described below:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District and is always classified as a major fund per GASB Statement No. 34. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

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. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

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).

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. (See reference to Program Review 96-DFIN-157).

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.

The Construction Fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the district.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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 costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Funds (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). No amounts have been recorded for in-kind contribution of commodities from the USDA.

Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts 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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-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.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

Basis of Accounting. (Continued)

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after 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, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 costs, such as depreciation, are not recognized in governmental funds.

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP 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 susceptible to accrual (GAAP).

Differences between the budgetary accounting method and GAAP are not material.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided. An encumbrance at June 30, 2014, has been set up for accumulated unpaid sick leave benefits.

Cash and Cash Equivalents - The Board 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 with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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 government-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 government-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. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Government Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

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

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

Accrued Liabilities and Long-Term Obligations (Continued)

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

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that a portion of fund equity is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represent 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" .

GASB 34 creates new basic financial statements for reporting on the School District' s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (CONTINUED)

The government-wide financial statements split the District 's program between business-type and governmental activities.

NOTE C - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 D - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the district' s cash and cash equivalents was \$154,403 and the bank balance was \$225,390. Of the total cash balance, \$154,403 was covered by Federal depository insurance. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

General Fund, cash and cash equivalents at June 30, 2014 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
The Bank of Kentucky - Checking	\$ 220,637	\$ <u>163,080</u>
	<u>\$ 220,637</u>	<u>\$ 163,080</u>

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make lease and bonded debt payments relating to the bonds issued by the Fiscal Court of Campbell County and City of Silver Grove, Kentucky.

The following is a summary of the District 's long-term debt transactions for the year ended June 30, 2014.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2014

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

	Amount of Debt Outstanding <u>July 1, 2013</u>	Additions of New Debt	Repayments	Debt Outstanding <u>June 30, 2014</u>	Amount Expected to be Paid Within One Year
Governmental Activities General Obligation					
Bonds	\$ <u>2,005,000</u>	\$ 940,000	<u>5,150</u>	\$ <u>1,969,850</u>	<u>\$ 130,825</u>
Capital Leases	\$ <u>23,536</u>		\$ <u>8,573</u>	\$ <u>14,963</u>	- <u>\$ 7,335</u>

The repayment of general obligation bonds includes the following:

Paid by the District	\$ 62,239
Paid by the Kentucky School Facility Construction Commission	62,911
Redemption of Remaining 2004 Bonds	<u>850,000</u>
Repayments on General Obligation Bonds	<u>\$ 975,150</u>

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Outstanding Balance at June 30, 2014</u>
June 1, 2011	\$580,000	2.00% - 4.375%	\$ 520,000
March 1, 2012	\$975,000	1.60% - 2.45%	925,000
October 1, 2012	\$550,000	1.25% - 3.25%	524,850
			<u>\$ 1,969,850</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK), and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell County Fiscal Court and the City of Silver Grove to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1992, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The tables below set forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

**SILVER GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

The March 1, 2012 bonds are being issued to (i) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to pay the accrued interest and refund in advance of maturity on May 1, 2014 certain of the outstanding Silver Grove School District Revenue Bonds, Series of 2004 dated May 1, 2004, maturing May 1, 2015 and thereafter; and, (ii) pay the cost of the Bond issuance expenses. The Board has determined that the plan of refunding the Defeased Bonds will result in considerable cost savings to the Silver Grove School District and is in the best interest of the District. The 2004 Bonds May 1, 2012 through May 1, 2014 will not be defeased and will remain payable under the terms of the prior Lease. In May, 2014, the remaining May 1, 2004 bonds were paid off.

The bonds 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 as follows:

2011 Issue:

YEAR	KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
	PRINCIPAL	INTEREST	TOTAL
2014-2015	\$ 25,000	\$ 20,094	\$ 45,094
2015-2016	25,000	19,594	44,594
2016-2017	25,000	19,094	44,094
2017-2018	25,000	18,294	43,294
2018-2019	25,000	17,494	42,494
2019-2031	395,000	120,523	515,523
	\$ 520,000	\$ 215,093	\$ 735,093

March 1, 2012 issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES		
CONSTRUCTION PRINCIPAL	COMMISSION	YEAR	PRINCIPAL	INTEREST	TOTAL
		INTEREST			
2014-2015	\$ 66,620	\$ 13,643	\$ 18,380	\$ 3,707	\$ 102,350
2015-2016	66,326	12,577	18,674	3,413	100,990
2016-2017	71,027	11,516	18,973	3,114	104,630
2017-2018	70,724	10,379	19,276	2,811	103,190
2018-2019	70,415	9,248	19,585	2,502	101,750
2019-2024	381,743	26,702	103,257	7,178	518,880
	\$ 726,855	\$ 84,065	\$ 198,145	\$ 22,725	\$1,031,790

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

October 1, 2012 Issue:

YEAR	KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
	PRINCIPAL	INTEREST	TOTAL
2014-2015	\$ 20,825	\$ 13,827	\$ 34,652
2015-2016	21,500	13,562	35,062
2016-2017	22,380	13,288	35,668
2017-2018	23,480	13,002	36,482
2018-2019	24,780	12,545	37,325
2019-2033	411,885	94,145	506,030
	\$ 524,850	\$ 160,369	\$ 685,219

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

The district currently has a policy in place concerning accumulated unpaid sick leave benefits. The district will pay as unpaid sick leave benefits, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 there is one certified employee with 27 or more years of experience.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2014, consisted of the following:  
 NONE

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE H - CAPITAL ASSETS

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

<b>Governmental Activities</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2014</b>
Land	\$ 144,500	\$	\$	\$ 144,500
Land Improvements	8,800			8,800
Building and improvements	5,786,950			5,786,950
Technology equipment	347,990	125,494		473,484
Vehicles	105,605			105,605
General equipment	97,279			97,279
Totals at historical cost	6,491,124	125,494		6,616,618
Less: accumulated depreciation				
Land Improvements	3,410	440		3,850
Building and improvements	2,857,328	184,766		3,042,094
Technology equipment	332,143	27,024		359,167
Vehicles	77,908	8,637		86,545
General equipment	65,458	3,692		69,150
Total accumulated depreciation	3,336,247	224,559		3,560,806
Governmental Activities				
Capital Assets - Net	<u>\$ 3,154,877</u>	<u>\$ (99,065)</u>	<u>\$</u>	<u>\$ 3,055,812</u>
<b>Business-Type Activities</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2014</b>
Technology equipment	\$ 2,085	\$ 725	\$	\$ 2,810
General equipment	26,937			26,937
Totals at historical cost	29,022	725		29,747
Less: accumulated depreciation				
Technology equipment	2,085	133		2,218
General equipment	20,986	1,249		22,235
Total accumulated depreciation	23,071	1,382		24,453
Business-Type Activities				
Capital Assets - Net	<u>\$ 5,951</u>	<u>\$ (657)</u>	<u>\$</u>	<u>\$ 5,294</u>

NOTE I - PROPERTY TAXES

The District's ad valorem property tax is levied each September 30, on the assessed value listed as of the prior January 1, for all real and personal property located in the District. Taxes are due on January 2, and become delinquent after January 31, following the September 30, levy date.

The property tax rates assessed for the year ended June 30, 2014 were \$1.293 per \$100 valuation for real property, \$1.293 per \$100 valuation for business personal property, and \$.896 per \$100 valuation for motor vehicles.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE I - PROPERTY TAXES (CONTINUED)

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

NOTE J - RETIREMENT PLANS

All certified employees are covered under the Kentucky Teachers Retirement System (KTRS). For employees hired before July 1, 2008, funding for the Plan is provided through payroll withholdings of 11.355% and State contributions of 13.105% of salaries. For employees hired after July 1, 2008, funding for the Plan is provided through payroll withholdings of 11.355%, and State contributions of 14.105% of salaries. The matching contributions are paid by the Federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. For employees hired before September 1, 2008, funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 18.89% of salaries. For employees hired after September 1, 2008, funding for the plan is provided through payroll withholdings of 6.00% and a district contribution of 18.89% of salaries.

The District's total payroll for the year was \$1,634,667. The payroll for employees covered under KTRS was \$1,336,335 and for CERS was \$298,332.

The contribution requirement for CERS for the year ended June 30, 2014 was \$72,447 which consisted of \$56,355 from the District and \$16,092 from the employees.

The contribution requirement for KTRS for the year ended June 30, 2014 was \$332,675 which consisted of \$164,154 from the State of Kentucky, \$151,741 from the employees, and \$16,780 from federal programs.

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

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE J - RETIREMENT PLANS, CONTINUED

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, 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 obligation for individual employers.

Ten-year historical trend information showing KTRS' s and CERS' s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2014, comprehensive annual financial reports.

As the Board is only one of several employers participating in the Plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the Plan assets.

NOTE K - CONTINGENCIES

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 their programs.

NOTE L - 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 Worker's compensation insurance.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier.

The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

In addition, the District continues to carry commercial insurance for all other risks of loss, including the coverages listed on page 49 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N - DEFICIT OPERATING/FUND BALANCES

The General Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$66,127). The FSPK Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$12,588). The Debt Service Funds had operations that resulted in a current year deficit of revenues over expenditures of (\$887,933). The Proprietary Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$14,241). The School Activity Funds had operations that resulted in a current year deficit of revenues over expenditures of (\$6,166).

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). The District has notified all terminated employees of available continuing insurance coverage as mandated by Cobra.

NOTE P - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 2,894
Building Fund	Debt Service Fund	78,168

NOTE Q - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2014, as follows:

Year ending June 30:		
2015	\$	3,100
Total Minimum Rentals	\$	<u>3,100</u>

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES

In its Annual Report - Financial required by the Kentucky Department of Education (the "Report") , the Board recorded the receipt of certain receivables and the payment of certain payables subsequent to year ended as cash receipts and disbursements for the year ended June 30, 2014. In the accompanying financial statements, these amounts are included in accounts receivable and accounts payable.

The following is a reconciliation of the June 30, 2014, fund balance reported by the board to the Kentucky Department of Education with that shown in the accompanying financial statements:

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES (CONTINUED)

	General Fund	Special Revenue Funds
Fund Balance, as reported to the Department of Education	\$ 110,636	\$(13,777)
Adjustments		
Accounts receivable	1,608	-0-
Deferred revenue	-0-	13,777
SEEK Program	9,722	-0-
Accumulated unpaid sick leave benefits	29,520	<u>-0-</u>
Fund Balance, as reported in the accompanying financial statements	<u>\$ 151,486</u>	<u>\$ -0-</u>
Reserved for encumbrances	\$ 27,052	\$ -0-
Unreserved	<u>124,434</u>	<u>-0-</u>
	<u>\$ 151,486</u>	<u>\$ -0-</u>

The following is a schedule of the changes in the components of the fund balance of the general fund during the fiscal year ended June 30, 2014:

	Reserved for <u>Encumbrances</u>	Unreserved Designated	Unreserved Undesignated	<u>Total Fund Balance</u>
Balance at beginning of year	\$ 29,520	\$ -0-	\$ 188,093	\$ 217,613
Excess (Deficit) of revenues and other financing sources over expenditures and other financing uses	(2,468)	<u>-0-</u>	(63,659)	(66,127)
Balance at End of Year	<u>\$ 27,052</u>	<u>\$ -0-</u>	<u>\$ 124,434</u>	<u>\$ 151,486</u>

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES (CONTINUED)

The following is a reconciliation of the cash balance as reported in the accompanying financial statements with that reported to the Kentucky Department of Education:

	<u>General Fund</u>	<u>Special Revenue</u>
Funds		
Cash Balance per Report to Kentucky Department of Education	\$ 153,358	\$ 1,764
Cash adjustment	<u>9,722</u>	<u>-0-</u>
Cash Balance, as reported in the accompanying financial statements	<u>\$ 163,080</u>	<u>\$ 1,764</u>

NOTE S - CAPITALIZED EQUIPMENT LEASE

The Board entered into a capitalized equipment lease agreement as of January 1, 2006 with the Kentucky Interlocal School Transportation Association (KISTA). The lease is for a new school bus. The lease expires in March, 2016. Depreciation of assets under capitalized leases is included in depreciation expense for 2014.

The following is the minimum lease obligation for the capitalized lease:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014-2015	\$ 7,335	\$ 584	\$ 7,919
2015-2016	<u>7,628</u>	<u>305</u>	<u>7,933</u>
	<u>\$ 14,963</u>	<u>\$ 889</u>	<u>\$ 15,852</u>

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE T - ON-BEHALF PAYMENTS

For the year ended June 30, 2014 total payments of \$422,275 were made for vocational education, 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. These revenues and expenditures are not budgeted by the District. \$404,575 was recorded in the General Fund and \$17,700 was recorded in the Food Service Fund.

Payments totaling \$101,845 were made by the Kentucky School Facilities Construction Commission for its participation in the District's bonds, which are included in the debt service expenditures.

NOTE U - GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had (\$18,578) restricted in nonmajor funds, (\$18,588) restricted for capital projects and \$10 restricted for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. No amounts have been assigned to encumbrances at June 30, 2014. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

NOTE U - GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND  
TYPE DEFINITIONS (CONTINUED)

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE V - EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD  
FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Application of these standards required restatement of portions of these financial statements as follows:

Net Position, July 1, 2013 as Previously Reported	\$ 2,306,862
Expense Bond Issuance Costs Previously Capitalized	<u>(47,160)</u>

<b>Net Position, July 1, 2013 as Restated</b>	<b><u>\$ 2,259,702</u></b>
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NOTE W - SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events through October 30, 2014, the date on which the financial statements were available to be issued.

SILVER GROVE SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS AND RESOURCES:				
Cash and Cash equivalents	\$ (24,231)	\$ 5,643	\$ 10	\$ (18,578)
TOTAL ASSETS AND RESOURCES	<u>\$ (24,231)</u>	<u>\$ 5,643</u>	<u>\$ 10</u>	<u>\$ (18,578)</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL LIABILITIES				
FUND BALANCES:				
RESTRICTED FOR:				
Capital Project Funds	(24,231)	5,643		(18,588)
Debt Service	<u>                    </u>	<u>                    </u>	<u>10</u>	<u>10</u>
TOTAL FUND BALANCES	<u>(24,231)</u>	<u>5,643</u>	<u>10</u>	<u>(18,578)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (24,231)</u>	<u>\$ 5,643</u>	<u>\$ 10</u>	<u>\$ (18,578)</u>

SILVER GROVE SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR YEAR ENDED JUNE 30, 2014

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 44,883	\$	\$	\$ 44,883
Earnings on investments			2,367	2,367
Intergovernmental-State	20,697	18,091		38,788
On Behalf Payments			101,845	101,845
TOTAL REVENUES	65,580	18,091	104,212	187,883
EXPENDITURES:				
Debt Service			1,070,313	1,070,313
Plant Operation and Maintenance		12,448		12,448
TOTAL EXPENDITURES		12,448	1,070,313	1,082,761
Excess (deficit) of revenues over expenditures	65,580	5,643	(966, 101)	(894,878)
OTHER FINANCING SOURCES (USES):				
Operating transfers in			968,468	968,468
Operating transfers out	(78, 168)		(890,300)	(968,468)
TOTAL OTHER FINANCING SOURCES (USES):	(78,168)		78,168	
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(12,588)	5,643	(887,933)	(894,878)
Fund balance July 1, 2013	(11,643)		887,943	876,300
Fund balance June 30, 2014	\$ (24,231)	\$ 5,643	\$ 10	\$ (18,578)

**SILVER GROVE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
ALL DEBT SERVICE FUNDS  
JUNE 30, 2014**

	2004 Bond Issue	2011 Bond Issue	March 1, 2012 Bond Issue	October 1, 2012 Bond Issue	Total Debt Service Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6	\$ 2	\$ 2	\$	\$ 10
Total assets	\$ 6	\$ 2	\$ 2	\$	\$ 10
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities	\$	\$	\$	\$	\$
Total liabilities					
 <b>FUND BALANCES</b>					
Reserved for debt service	6	2	2	\$	10
Total fund balances	6	2	2	\$	10
Total liabilities and fund balances	\$ 6	\$ 2	\$ 2	\$	\$ 10

**SILVER GROVE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2004 Bond Issue</u>	<u>2011 Bond Issue</u>	<u>March 1, 2012 Bond Issue</u>	<u>October 1, 2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
<b>REVENUES</b>					
Earnings on investments	\$	\$	\$ 2,367	\$	\$ 2,367
On behalf payments	<u>13,927</u>	<u>40,494</u>	<u>8,160</u>	<u>39,264</u>	<u>101,845</u>
Total revenues	13,927	40,494	10,527	39,264	104,212
<b>EXPENDITURES</b>					
Current					
Bonds paid	915,000	20,000	15,000	25,150	975,150
Interest paid	42,965	20,494	17,590	14,114	95,163
Total expenditures	<u>957,965</u>	<u>40,494</u>	<u>32,590</u>	<u>39,264</u>	<u>1,070,313</u>
Excess (deficit) of revenues over expenditures	(944,038)		(22,063)		(966,101)
Other financing sources (uses)					
Operating transfers in	944,038		24,430		968,468
Operating transfers out	<u>          </u>	<u>          </u>	<u>(890,300)</u>	<u>          </u>	<u>(890,300)</u>
Total other financing sources (uses)	<u>944,038</u>	<u>          </u>	<u>(865,870)</u>	<u>          </u>	<u>78,168</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses			(887,933)		(887,933)
Fund balance, July 1, 2013	<u>6</u>	<u>2</u>	<u>887,935</u>	<u>          </u>	<u>887,943</u>
Fund balance, June 30, 2014	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$</u>	<u>\$ 10</u>

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FSPK FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	FSPK Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
From local sources:			
Taxes:			
Property	\$ 46,273	\$ 44,883	\$ (1,390)
Intergovernmental - state	<u>29,506</u>	<u>20,697</u>	<u>(8,809)</u>
Total revenues	75,779	65,580	(10,199)
<b>EXPENDITURES</b>			
Debt Service	<u>75,779</u>	<u>                    </u>	<u>(75,779)</u>
Total expenditures	<u>75,779</u>	<u>                    </u>	<u>(75,779)</u>
Excess (deficit) of revenues over expenditures			
	65,580	65,580	
Other financing sources (uses)			
Operating transfers in			
Operating transfers out	<u>                    </u>	(78,168)	<u>(78,168)</u>
Total other financing sources (uses)	<u>                    </u>	<u>(78,168)</u>	<u>(78,168)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses		(12,588)	(12,588)
Fund balance, July 1, 2013	<u>                    </u>	(11,643)	(11,643)
Fund balance, June 30, 2014	\$	\$ (24,231)	<u>\$ (24,231)</u>

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SEEK CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Intergovernmental - state	\$ 19,500	\$ 18,091	\$ (1,409)
Total revenues	19,500	18,091	(1,409)
<b>EXPENDITURES</b>			
Plant Operation and Maintenance	17,111	12,448	(4,663)
Debt Service	2,389		(2,389)
Total expenditures	19,500	12,448	(7,052)
Excess of revenues over expenditures		5,643	5,643
Other financing sources (uses)			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Excess of revenues and other financing sources over expenditures and other financing uses		5,643	5,643
Fund balance, July 1, 2013			
Fund balance, June 30, 2014	\$	\$ 5,643	\$ 5,643

SILVER GROVE SCHOOL DISTRICT  
SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	CASH BALANCES			CASH BALANCES	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	FUND BALANCES
	JULY 1,	RECEIPTS	DISBURSEMENTS	JUNE 30,	JUNE 30,	JUNE 30,	JUNE 30,
	2013			2014	2014	2014	2014
Senior Fund	\$ (48)	\$ 6,235	\$ 3,804	\$ 2,383	\$ -	\$ -	\$ 2,383
Music Fund	126	65	191				
Athletics Fund	605	11,053	18,004	(6,346)	-	-	(6,346)
Teachers Fund	373	-	373				
Miscellaneous Fund	518	185	703				
Yearbook	1,190	-	1,190				
Scholarship Fund	1,138	2,500	3,200	438	-	-	438
FBLA	(1,523)	1,523					
Elementary Athletics	40	-	40				
Alumni Fund	262	-	262				
NKOA	26	5,200	4,134	1,092	-	-	1,092
Incentive	2,687	4,054	6,601	140	-	-	140
Special Needs	80	-	-	80	-	-	80
Coca-Cola/Recycling	114	247	361	-	36	-	36
Art	99	-	99				
Science - Forensic	13	-	13				
Science - MS	7	-	7				
Health Center	119	-	119				
OPP Student	(404)	404					
Maintenance Food Account	62	-	62				
Field Trip	305	20	325				
Other	17	-	17				
FRC	-	507	36	471	184	-	655
Imagination Library	2,911	-	2,277	634	-	-	634
Freshman Class	92	-	92				
Christmas Assistance	1	-	1				

SILVER GROVE SCHOOL DISTRICT  
SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

	CASH BALANCES JULY 1, 2013	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2014	ACCOUNTS RECEIVABLE JUNE 30, 2014	ACCOUNTS PAYABLE JUNE 30, 2014	FUND BALANCES JUNE 30, 2014
Volleyball	(1,041)	1,885	844				
Golf	46	261	307				
Girl's Basketball	2,315	47	2,362				
Boy's Basketball	(1,436)	7,301	5,865				
Girl's Softball	(2,285)	4,986	2,701				
Boy's Baseball	(3,212)	3,792	580				
General	-	2,494	1,129	1,365	-	-	1,365
Spirit Wear	9	-	9				
Journalism	47	-	47				
Born Learning	-	2,500	1,886	614	-	-	614
Class of 2015	-	2,330	2,019	311	-	-	311
Cross Country/Track	(96)	96					
PTSCA	3,014	35	3,049				
LaFarge	19	7,500	7,519				
Library	1,163	1,363	2,526				
Green House	603	900	331	1,172	-	-	1,172
PBIS	180	-	180				
Fourth Graders	385	15	399	1	-	-	1
ERV Whitford Fund	-	7,753	7,753	-			
<b>TOTALS</b>	<u>\$ 8,521</u>	<u>\$ 78,251</u>	<u>\$ 81,417</u>	<u>\$ 2,355</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ 2,575</u>

SILVER GROVE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS FOR THE YEAR ENDED JUNE 30,  
2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA NUMBER	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through Kentucky Department of Education:			
Title I Cluster:			
Title I	84.010	310000211	\$ 204
Title I	84.010	310000213	28,991
Title I	84.010	310000214	12,271
Title I-ARRA	84.388	410030209	19,987
			61,453
Special Education Cluster:			
Idea B	84.027	381000212	5,922
Idea B	84.027	381000213	59,430
Idea B	84.027	381000214	9,084
Idea P	84.173	380000212	4,519
Idea P	84.173	380000213	779
Idea P	84.173	380000214	347
			80,081
Title II-A	84.367	323000211	1,021
Title II-A	84.367	323000212	4,855
Title II-A	84.367	323000213	2,946
Title II-A	84.367	323000214	3,956
			12,778
Total U.S. Department of Education			154,312

SILVER GROVE SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA NUMBER	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Kentucky Department of Education/Child Nutrition Cluster:			
Cash Assistance:			
National School Lunch Program	10.555	775000213	13,963
National School Lunch Program	10.555	775000214	49,196
School Breakfast Program	10.553	776000513	6,513
School Breakfast Program	10.553	776000514	21,544
Fresh Fruit and Vegetable Program	10.582	772000213	1,737
Fresh Fruit and Vegetable Program	10.582	772000214	<u>3,665</u>
			96,618
Non-cash Assistance:			
National School Lunch Program	10.555	019-0204	<u>5,630</u>
Total U.S. Department of Agriculture/ Child Nutrition Cluster			<u>102,248</u>
Total Federal Financial Assistance			<u>\$ 2561560</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Silver Grove School District, and is presented 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SILVER GROVE SCHOOL DISTRICT  
INSURANCE IN FORCE  
 JUNE 30, 2014

Fire, Extended Coverage, Vandalism,  
 and Malicious Mischief:

Replacement Value

	<u>Amounts</u>	<u>Expiration</u>
<u>Building and Contents</u>		<u>Date</u>
High School, Junior High, Elementary, and Property in the Open	<u>\$13,543,625</u>	07/01/14

Liability on Driver's Training  
 Vehicles, School Buses, and Other Vehicles

School Buses

Combined Single Limit	\$2,000,000	07/01/14
Uninsured Motorist	500,000	07/01/14

Ford Van

Combined Single Limit	\$2,000,000	07/01/14
Uninsured Motorist	500,000	07/01/14

Worker's Compensation

Kentucky School Boards  
 Insurance Trust

Statutory	07/01/14
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Educators' Legal Liability

Board Members, Superintendent

and All Other Employees	\$1,000,000 Each Occurrence	
	\$1,000,000 Aggregate	07/01/14

General Liability

Comprehensive General Liability

All Employees:	\$1,000,000 Each Occurrence	
	\$2,000,000 Aggregate	07/01/14

Fidelity Bond

Ohio Casualty Insurance Company, Treasurer's Bond from 07/01/13 to  
 06/30/14, Ken Ellis, Treasurer

<u>Bonded</u>	\$150,000
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<u>Umbrella</u>	\$5,000,000	07/01/14
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SILVER GROVE SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2014

<u>BOARD MEMBERS</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Jennifer Steidel-Jones Vice Chairperson	PO Box 47 Silver Grove, Kentucky	December 31, 2016
Tonya Batton	PO Box 506 Silver Grove, Kentucky	December 31, 2014
Melanie Pelle Chairperson	5351 Mary Ingles Highway Silver Grove, Kentucky	December 31, 2016
Melissa Garza	215 West Second Street Silver Grove, Kentucky	December 31, 2016
Sandradan Kemplin	PO Box 124 Silver Grove, Kentucky	December 31, 2014

ADMINISTRATIVE PERSONNEL

Ken Ellis, Superintendent and Secretary/Treasurer to the Board.

SILVER GROVE SCHOOL DISTRICT  
GENERAL FUND-ACCOUNTS  
RECEIVABLE JUNE 30,  
2014

Accounts receivable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 4,842
Additional Accounts Receivable Recorded Subsequent to the Annual Financial Report:	
State of Kentucky	\$ 1,608
Total Additions	1,608
Total General Fund - Accounts Receivable	<u>\$ 6,450</u>

SILVER GROVE SCHOOL DISTRICT  
GENERAL FUND-ACCOUNTS  
PAYABLE JUNE 30, 2014

Accounts payable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 8,560
Additional Accounts Payable Recorded Subsequent to the Annual Financial Report	<u>-0-</u>
Total General Fund - Accounts Payable	<u>\$ 8,560</u>

SILVER GROVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of Silver Grove School District.
2. No significant deficiencies or material weaknesses relating to the audit of the general purpose financial statements are reported.
3. No instances of noncompliance material to the general purpose financial statements of Silver Grove School District which would be required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of federal award programs are reported.
5. The auditor's report on compliance for federal award programs for Silver Grove School District expresses an unmodified opinion on all federal programs.
6. The audit disclosed no audit findings that the auditor is required to report under 510(a) of Circular A-133.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Silver Grove School District qualifies as a low-risk auditee.
9. The Program tested as a major program was the Child Nutrition Cluster, CFDA Numbers 10.553, 10.555, and 10.582.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS AUDIT**

NONE

SILVER GROVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2014

There were no findings in the financial statements audit and there were no findings and questioned costs in the federal award programs audit.

# Michael Kadetz

Certified Public Accountant, LLC  
8044 Montgomery Road • Suite 720  
Cincinnati, Ohio 45236-2926  
TEL (513) 794-1900 • FAX (513) 794-8073

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove School District  
Silver Grove, Kentucky

I 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 provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request, Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Silver Grove School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise The Silver Grove School District's basic financial statements, and have issued my report thereon dated October 24, 2014. The report on the activity funds was qualified because it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

## **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered The Silver Grove 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Silver Grove School District's internal control. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 The Silver Grove School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of state compliance requirements identified in *the Independent Auditor's Contract*.

During my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. These items have been communicated to the Board of Education in a management letter.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my 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.



Cincinnati, Ohio  
October 24, 2014

# Michael Kadetz

Certified Public Accountant, LLC  
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## INDEPENDENT AUDITOR' S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove School District  
Silver Grove, Kentucky

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

I have audited The Silver Grove 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 The Silver Grove School District's major federal program for the year ended June 30, 2014. The Silver Grove School District's major federal program is 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**

My responsibility is to express an opinion on compliance for The Silver Grove School District' s major federal program based on my audit of the types of compliance requirements referred to above. I conducted my 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request* and *Appendix II of the Independent Auditor's Contract Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I 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 The Silver Grove School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for its major federal program. However, my audit does not provide a legal determination of The Silver Grove School District' s compliance.

**Opinion on Each Major Federal Program**

In my opinion, The Silver Grove 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 its major federal program for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of The Silver Grove 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 my audit of compliance, I considered The Silver Grove School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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, I do not express an opinion on the effectiveness of The Silver Grove School District's internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Cincinnati, Ohio  
October 24, 2014



# Michael Kadetz

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Members of the Board of Education  
Silver Grove School District  
Silver Grove, Kentucky

In planning and performing my audit of the basic financial statements of the Silver Grove School District as of and for the year ended June 30, 2014, I considered the district's internal control over financial reporting and compliance as a basis for designing my auditing procedures for the purpose of expressing an opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Silver Grove School District's internal control over financial reporting and compliance.

However, during my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 24, 2014, on the basic financial statements of the Silver Grove School District.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various district personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Cincinnati, Ohio  
October 24, 2014

SILVER GROVE SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2014

I. **STATEMENT OF DEFICIENCY:** Several old reconciling items are being carried on the monthly bank reconciliation of the regular checking account. This was also a management letter comment last year, and the district continues to fail to address this issue. See Statement of Deficiency I at June 30, 2013.

**Criteria:** These old reconciling items need to be adjusted and written off.

**Cause:** The district is not diligent enough in its effort to maintain a "clean" bank reconciliation.

**Effect:** Monthly bank reconciliations are more difficult to prepare, and include old reconciling items that need to be adjusted and written off.

**Recommendation:** The district must adjust and write off these old reconciling items.

**Management 's response:** The district will review the monthly bank reconciliation and adjust and write off these old reconciling items.

II. **STATEMENT OF DEFICIENCY:** The annual financial report (AFR) did not have a zero balance in revenues over expenditures for the special revenue funds. This was also a management letter comment last year, and the district continues to fail to address this issue. See Statement of Deficiency III at June 30, 2013.

**Criteria:** The AFR must have a zero balance for revenues over expenditures for the special revenue funds.

**Cause:** The district is not diligent enough in its effort to maintain the special revenue funds properly.

**Effect:** The special revenue funds must be adjusted to properly show a zero fund balance and a zero revenues over expenditures balance.

**Recommendation:** The special revenue funds must be properly maintained. The AFR must have a zero fund balance and revenues over expenditures must equal zero for the year.

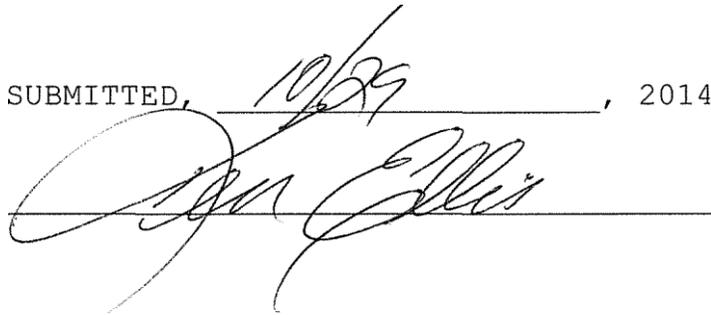
**Management 's response:** The district will adjust the AFR to the correct balances.

STATEMENT OF CERTIFICATION

Kentucky Committee for School District Audits  
Frankfort, Kentucky

The Silver Grove School District certifies that all adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, 10/29, 2014

  
\_\_\_\_\_

Superintendent