

Grant County School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2015
With Independent Auditors' Report**

GRANT COUNTY SCHOOL DISTRICT

Year Ended June 30, 2015

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Year Ended June 30, 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Grant County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District, as of June 30, 2015, 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.

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Independent Auditors' Report (Continued)

Other Matters

Change in Accounting Principle

As described in note 18 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the Grant County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant County School District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

GRANT COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015

As management of Grant County Board of Education (Board), the governing body for the Grant County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$8,589,098
- The General Fund had \$28,244,303 in revenue, excluding interfund transfers and bond proceeds. General Fund revenues primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$28,650,822 in General Fund expenditures.
- All staff received a 1% increase plus any applicable step increase in salary for an additional year's experience for the 2014-2015 school year.
- The District per pupil SEEK allocation was increased from \$3,827 to \$3,911 for the 2014-2015 school year.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. While it remains to be seen if districts, including our own, will end up shouldering more this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Grant County School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

GRANT COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The district-wide financial statements can be found on pages 10 and 11 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 funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 42 of this report.

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16,816,699 as of June 30, 2015.

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

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

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position for the periods ending June 30, 2015 and 2014

The following is a summary of net position for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current assets	\$ 7,382,453	\$ 9,372,176
Noncurrent assets	55,146,944	56,577,077
Total assets	<u>62,529,397</u>	<u>65,949,253</u>
 Total deferred outflows	 <u>1,128,951</u>	 <u>-</u>
Current liabilities	3,963,073	4,738,090
Noncurrent liabilities	42,878,576	37,843,883
Total liabilities	<u>46,841,649</u>	<u>42,581,973</u>
 Net position		
Investment in capital assets (net of debt)	17,391,523	16,490,558
Restricted	1,890,345	3,679,292
Unrestricted	(2,465,169)	3,197,430
Total net position	<u>\$ 16,816,699</u>	<u>\$ 23,367,280</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2015, were \$28,244,303, net of inter-fund transfers, of \$785,531.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,269,704 more than budget or approximately 4.71% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.
- General Fund actual expenditures were \$28,650,822, net of inter-fund transfers of \$84,350.
- General Fund actual expenditures were less than budgeted expenditures by \$2,853,161.

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 530,343	\$ 632,122
Operating grants	5,486,912	5,267,278
Capital grants	<u>2,701,026</u>	<u>2,254,171</u>
Total grant revenues	<u>8,718,281</u>	<u>8,153,571</u>
General Revenues		
Taxes	7,276,723	7,114,854
Grants and entitlements	25,048,248	21,469,192
Earnings on investments	43,981	48,742
Miscellaneous	<u>914,757</u>	<u>152,932</u>
Total general revenues	<u>33,283,709</u>	<u>28,785,720</u>
Total revenues	<u>42,001,990</u>	<u>36,939,291</u>
Expenses		
Instructional	21,612,988	19,353,907
Student support services	2,020,900	1,787,277
Instructional support	2,166,076	2,057,619
District administration	749,690	705,850
School administration	2,198,225	1,930,729
Business support	704,079	691,447
Plant operations and maintenance	4,122,805	3,307,127
Student transportation	2,861,193	2,579,462
Other instructional	871	1,850
Food service operations	310,577	107,091
Facilities acquisition and construction	397,834	369,657
Community service activities	87,413	329,714
Debt services	1,408,820	1,889,511
Food service	<u>2,807,100</u>	<u>2,695,591</u>
Total expenses	<u>41,448,571</u>	<u>37,806,832</u>
Excess of revenues over expenses	<u>\$ 553,419</u>	<u>\$ (867,541)</u>

GRANT COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of balances and transactions of individual funds (in thousands) for the fiscal year ended June 30, 2015:

<u>Fund</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers in (out)</u>	<u>Ending</u>
General	\$ 3,894	\$ 28,244	\$ 28,650	\$ 701	\$ 4,189
Special revenue	-	3,271	3,355	84	-
Capital outlay	356	359	-	(356)	359
Building	462	3,317	-	(3,407)	372
Construction	1,905	3	1,620	-	288
Debt Service	-	358	3,479	3,121	-

Capital Assets and Long-Term Debt Activity (in thousands) for the fiscal year ended June 30, 2015:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental				
Capital assets	\$ 81,963	\$ 1,222	\$ 12	\$ 83,173
Accumulated depreciation	27,709	2,520	12	30,217
Business-type assets				
Capital assets	4,511	37	6	4,542
Accumulated depreciation	2,187	170	6	2,351
Long-term debt				
Bonds payable	38,214	7,940	9,695	36,459
Capital leases payable	1,873	-	341	1,532

CURRENT ISSUES

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

All employees received a mandated 2% increase in addition to their step increase for 2015-2016.

The District saw an increase in property values of approximately \$25 million for fiscal 2015-2016.

GRANT COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

General Fund Revenue

The majority of general revenue was derived from State SEEK Funds (65.7%) with local funding making up 20.6% of total revenue.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,827,112 in contingency (5.8%). The beginning cash balance for the fiscal year is \$8,589,098.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Mr. Ronald Gene Livingood, Superintendent, or Mr. Matt Morgan, Assistant Superintendent of Finance and Personnel, by telephone at (859) 824-3323 or by mail to the Central Office, 820 Arnie Risen Boulevard, Williamstown, Kentucky 41097-0639.

GRANT COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 5,953,784	\$ 819,063	\$ 6,772,847
Accounts receivable	504,897	53,576	558,473
Inventories for consumption	-	51,133	51,133
Total current	<u>6,458,681</u>	<u>923,772</u>	<u>7,382,453</u>
Noncurrent:			
Nondepreciated capital assets:			
Land	2,510,500	-	2,510,500
Depreciated capital assets:			
Land improvements	2,068,012	-	2,068,012
Buildings and improvements	66,631,992	2,970,967	69,602,959
Furniture and equipment	11,962,839	1,570,693	13,533,532
Less: accumulated depreciation	<u>(30,216,759)</u>	<u>(2,351,300)</u>	<u>(32,568,059)</u>
Total noncurrent	<u>52,956,584</u>	<u>2,190,360</u>	<u>55,146,944</u>
Total assets	<u>59,415,265</u>	<u>3,114,132</u>	<u>62,529,397</u>
Deferred Outflows	<u>1,096,447</u>	<u>32,504</u>	<u>1,128,951</u>
Liabilities and Net Position			
Liabilities			
Current:			
Accrued interest	360,860	-	360,860
Current portion of bonds payable	2,125,000	-	2,125,000
Current portion of capital leases	323,809	-	323,809
Current portion of accrued sick leave	25,885	-	25,885
Accounts payable	165,338	13,199	178,537
Assessed KISBIT liability	50,511	-	50,511
Accrued payroll and related expenses	442,670	-	442,670
Unearned revenues	455,801	-	455,801
Total current	<u>3,949,874</u>	<u>13,199</u>	<u>3,963,073</u>
Noncurrent:			
Accrued sick leave	232,964	-	232,964
Capital leases	1,207,612	-	1,207,612
CERS net pension liability	6,845,701	258,299	7,104,000
Bond obligations	34,334,000	-	34,334,000
Total noncurrent	<u>42,620,277</u>	<u>258,299</u>	<u>42,878,576</u>
Total liabilities	<u>46,570,151</u>	<u>271,498</u>	<u>46,841,649</u>
Net Position			
Invested in capital assets, net of related debt	15,201,163	2,190,360	17,391,523
Restricted	1,205,567	684,778	1,890,345
Unrestricted	<u>(2,465,169)</u>	<u>-</u>	<u>(2,465,169)</u>
Total net position	<u>\$ 13,941,561</u>	<u>\$ 2,875,138</u>	<u>\$ 16,816,699</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 21,612,988	\$ -	\$ 2,246,149	\$ -	\$ (19,366,839)	\$ -	\$ (19,366,839)
Student support services	2,020,900	-	181,062	-	(1,839,838)	-	(1,839,838)
Staff support services	2,166,076	-	442,620	-	(1,723,456)	-	(1,723,456)
District administration	749,690	-	-	-	(749,690)	-	(749,690)
School administration	2,198,225	-	-	-	(2,198,225)	-	(2,198,225)
Business support services	704,079	-	-	-	(704,079)	-	(704,079)
Plant operation and maintenance	4,122,805	-	67,702	-	(4,055,103)	-	(4,055,103)
Student transportation	2,861,193	-	22,016	-	(2,839,177)	-	(2,839,177)
Central office	871	-	-	-	(871)	-	(871)
Food service operation	87,413	-	-	-	(87,413)	-	(87,413)
Community service operations	310,577	-	310,534	-	(43)	-	(43)
Facility acquisition and construction	397,834	-	-	2,701,026	2,303,192	-	2,303,192
Interest on long-term debt	1,408,820	-	-	-	(1,408,820)	-	(1,408,820)
Total governmental activities	<u>38,641,471</u>	<u>-</u>	<u>3,270,083</u>	<u>2,701,026</u>	<u>(32,670,362)</u>	<u>-</u>	<u>(32,670,362)</u>
Business-type activities							
Food service	2,807,100	530,343	2,216,829	-	-	(59,928)	(59,928)
Total business-type activities	<u>2,807,100</u>	<u>530,343</u>	<u>2,216,829</u>	<u>-</u>	<u>-</u>	<u>(59,928)</u>	<u>(59,928)</u>
Total school district	<u>\$ 41,448,571</u>	<u>\$ 530,343</u>	<u>\$ 5,486,912</u>	<u>\$ 2,701,026</u>	<u>(32,670,362)</u>	<u>(59,928)</u>	<u>(32,730,290)</u>
			General revenues:				
			Taxes		7,276,723	-	7,276,723
			State and federal sources		25,048,248	-	25,048,248
			Investment earnings		39,434	4,547	43,981
			Miscellaneous		861,447	53,310	914,757
			Special items:				
			Fund transfer		144,037	(144,037)	-
			Total general and special revenues		<u>33,369,889</u>	<u>(86,180)</u>	<u>33,283,709</u>
			Change in net position		699,527	(146,108)	553,419
			Net position - beginning		20,087,735	3,279,545	23,367,280
			Net position adjustment (Note 18)		<u>(6,845,701)</u>	<u>(258,299)</u>	<u>(7,104,000)</u>
			Net position - ending		<u>\$ 13,941,560</u>	<u>\$ 2,875,138</u>	<u>\$ 16,816,699</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash and cash equivalents	\$ 4,535,783	\$ 208,224	\$ 1,209,777	\$ 5,953,784
Accounts receivable	202,946	299,010	2,941	504,897
	<u>\$ 4,738,729</u>	<u>\$ 507,234</u>	<u>\$ 1,212,718</u>	<u>\$ 6,458,681</u>
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	\$ 106,754	\$ 51,433	\$ 7,151	\$ 165,338
Accrued payroll and related expenses	442,670	-	-	442,670
Unearned revenue	-	455,801	-	455,801
	<u>549,424</u>	<u>507,234</u>	<u>7,151</u>	<u>1,063,809</u>
Fund Balances				
Assigned:				
Purchase obligations	1,544	-	-	1,544
Restricted	-	-	1,205,567	1,205,567
Unrestricted	4,058,337	-	-	4,058,337
Committed:				
Sick leave	129,424	-	-	129,424
	<u>4,189,305</u>	<u>-</u>	<u>1,205,567</u>	<u>5,394,872</u>
Total fund balances	<u>4,189,305</u>	<u>-</u>	<u>1,205,567</u>	<u>5,394,872</u>
Total liabilities and fund balances	<u>\$ 4,738,729</u>	<u>\$ 507,234</u>	<u>\$ 1,212,718</u>	<u>\$ 6,458,681</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2015**

Total governmental fund balance		\$ 5,394,872
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	83,173,343	
Accumulated depreciation	<u>(30,216,759)</u>	52,956,584
Deferred outflows		
CERS contributions made after the measurement date	861,447	
Bond refinancing	<u>235,000</u>	1,096,447
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	(36,459,000)	
Accrued interest on bonds	(360,860)	
Capital leases	(1,531,421)	
Assessed KISBIT liability	(50,511)	
Net pension liability	(6,845,701)	
Accrued sick leave	<u>(258,849)</u>	<u>(45,506,342)</u>
Total net position - governmental		<u>\$ 13,941,561</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 5,607,568	\$ -	\$ 1,669,155	\$ 7,276,723
Earnings on investments	24,890	571	13,973	39,434
State sources	22,219,294	1,141,666	2,265,178	25,626,138
Federal sources	206,599	1,992,575	88,883	2,288,057
Other sources	<u>185,952</u>	<u>135,842</u>	<u>346,965</u>	<u>668,759</u>
Total revenues	<u>28,244,303</u>	<u>3,270,654</u>	<u>4,384,154</u>	<u>35,899,111</u>
Expenditures				
Instructional	15,117,224	2,331,070	102,591	17,550,885
Student support services	1,718,041	181,062	-	1,899,103
Staff support services	1,681,950	442,620	31,175	2,155,745
District administration	604,866	-	-	604,866
School administration	2,181,764	-	-	2,181,764
Business support services	701,958	-	-	701,958
Plant operation and maintenance	3,608,233	67,702	2,320	3,678,255
Student transportation	2,557,333	22,016	25,210	2,604,559
Food service operation	87,413	-	-	87,413
Community service operations	-	310,534	-	310,534
Facility acquisition and construction	-	-	1,620,097	1,620,097
Debt service:				-
Principal	341,098	-	1,990,000	2,331,098
Interest	<u>50,942</u>	<u>-</u>	<u>1,488,827</u>	<u>1,539,769</u>
Total expenditures	<u>28,650,822</u>	<u>3,355,004</u>	<u>5,260,220</u>	<u>37,266,046</u>
(Deficit) of revenues over expenditures	<u>(406,519)</u>	<u>(84,350)</u>	<u>(876,066)</u>	<u>(1,366,935)</u>
Other financing sources (uses)				
Operating transfers in	785,531	96,682	3,120,769	4,002,982
Operating transfers out	<u>(84,350)</u>	<u>(12,332)</u>	<u>(3,762,263)</u>	<u>(3,858,945)</u>
Total other financing sources (uses)	<u>701,181</u>	<u>84,350</u>	<u>(641,494)</u>	<u>144,037</u>
Net change in fund balance	294,662	-	(1,517,560)	(1,222,898)
Fund balance, June 30, 2014	<u>3,894,643</u>	<u>-</u>	<u>2,723,127</u>	<u>6,617,770</u>
Fund balance, June 30, 2015	<u>\$ 4,189,305</u>	<u>\$ -</u>	<u>\$ 1,205,567</u>	<u>\$ 5,394,872</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

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

Net changes-governmental funds		(1,222,898)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(2,519,376)	
Capital outlays	<u>1,222,263</u>	
		(1,297,113)
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Proceeds from bond sale	(7,940,000)	
Bond principal paid	1,990,000	
Refinancing of bond obligations	7,705,000	
Deferred Outflow for Bond Financing	235,000	
Capital lease principal paid	<u>341,098</u>	
		2,331,098
Deferred outflow CERS contributions made after the measurement date		861,447
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>26,993</u>
Changes in net position of governmental activities		<u>\$ 699,527</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2015**

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 781,808	\$ 37,255	\$ 819,063
Accounts receivable	53,576	-	53,576
Inventories for consumption	51,133	-	51,133
Total current	<u>886,517</u>	<u>37,255</u>	<u>923,772</u>
Noncurrent			
Furniture and Fixtures	4,541,660	-	4,541,660
Less: accumulated depreciation	<u>(2,351,300)</u>	-	<u>(2,351,300)</u>
Total noncurrent	<u>2,190,360</u>	-	<u>2,190,360</u>
Total assets	<u>3,076,877</u>	<u>37,255</u>	<u>3,114,132</u>
Deferred outflows	<u>3,275</u>	<u>29,229</u>	<u>32,504</u>
Liabilities and Net Position			
Liabilities			
Current			
Accounts payable	<u>8,678</u>	<u>4,521</u>	<u>13,199</u>
Total current	<u>8,678</u>	<u>4,521</u>	<u>13,199</u>
Noncurrent			
CERS net pension liability	<u>256,482</u>	<u>1,817</u>	<u>258,299</u>
Total noncurrent	<u>256,482</u>	<u>1,817</u>	<u>258,299</u>
Total liabilities	<u>265,160</u>	<u>6,338</u>	<u>271,498</u>
Net Position			
Invested in assets, net of debt	2,190,360	-	2,190,360
Nonspendable - inventories	51,133	-	51,133
Restricted	<u>573,499</u>	<u>60,146</u>	<u>633,645</u>
Total net position	<u>\$ 2,814,992</u>	<u>\$ 60,146</u>	<u>\$ 2,875,138</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2015**

	<u>Food Service</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Operating revenues			
Lunchroom sales	\$ 530,343	\$ -	\$ 530,343
Other operating revenues	-	53,310	53,310
Total operating revenues	<u>530,343</u>	<u>53,310</u>	<u>583,653</u>
Operating expenses			
Salaries and benefits	1,396,355	(23,805)	1,372,550
Contract services	58,484	5,699	64,183
Materials and supplies	1,153,054	45,399	1,198,453
Depreciation	170,184	-	170,184
Other operating expenses	21	1,709	1,730
Total operating expenses	<u>2,778,098</u>	<u>29,002</u>	<u>2,807,100</u>
Operating loss	<u>(2,247,755)</u>	<u>24,308</u>	<u>(2,223,447)</u>
Nonoperating revenues (expenses)			
Federal grants	1,551,228	-	1,551,228
State grants	514,663	-	514,663
Donated commodities and other donations	150,938	-	150,938
Interest income	4,547	-	4,547
Transfers	(144,037)	-	(144,037)
Total nonoperating revenues	<u>2,077,339</u>	<u>-</u>	<u>2,077,339</u>
Change in net position	(170,416)	24,308	(146,108)
Total net position, July 1, 2014	3,241,890	37,655	3,279,545
Net position adjustment (Note 18)	<u>(256,482)</u>	<u>(1,817)</u>	<u>(258,299)</u>
Total net position, June 30, 2015	<u>\$ 2,814,992</u>	<u>\$ 60,146</u>	<u>\$ 2,875,138</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2015**

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from lunchroom sales	\$ 530,343	\$ -	\$ 530,343
Cash received from other activities	-	55,981	55,981
Cash payments to employees for services	(1,396,355)	23,805	(1,372,550)
Cash payments to suppliers for goods and services	(1,243,269)	(80,327)	(1,323,596)
Cash payments for other operating activities	(21)	(1,709)	(1,730)
Net cash used in operating activities	<u>(2,109,302)</u>	<u>(2,250)</u>	<u>(2,111,552)</u>
Cash flows from capital financing activities			
Acquisition of capital assets	(37,166)	-	(37,166)
Net cash used in capital financing activities	<u>(37,166)</u>	<u>-</u>	<u>(37,166)</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	2,216,829	-	2,216,829
Net cash provided by noncapital financing activities	<u>2,216,829</u>	<u>-</u>	<u>2,216,829</u>
Cash flows from investing activities			
Transfer of funds	(144,037)	-	(144,037)
Interest on investments	4,547	-	4,547
Net cash flows provided by investing activities	<u>(139,490)</u>	<u>-</u>	<u>(139,490)</u>
Net decrease in cash and cash equivalents	(69,129)	(2,250)	(71,379)
Cash and cash equivalents - beginning	850,937	39,505	890,442
Cash and cash equivalents - ending	<u>\$ 781,808</u>	<u>\$ 37,255</u>	<u>\$ 819,063</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (2,247,755)	\$ 24,308	\$ (2,223,447)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	170,184	-	170,184
Changes in assets and liabilities:			
(Increase) in deferred outflows	(3,275)	(29,229)	(32,504)
(Decrease) in accounts payable	(8,230)	2,671	(5,559)
(Increase) in accounts receivable	(12,700)	-	(12,700)
(Increase) in inventories	(7,526)	-	(7,526)
Net cash used in operating activities	<u>(2,109,302)</u>	<u>(2,250)</u>	<u>(2,111,552)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 150,938</u>	<u>\$ -</u>	<u>\$ 150,938</u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Fiduciary Net Position
Year Ended June 30, 2015**

	<u>Trust/Agency Fund</u>	<u>School Activity Funds</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	<u>\$ 58,870</u>	<u>\$ 227,335</u>	<u>\$ 286,205</u>
Total current	<u>58,870</u>	<u>227,335</u>	<u>286,205</u>
Liabilities			
Current:			
Due to student groups	<u>-</u>	<u>227,335</u>	<u>227,335</u>
Total current	<u>-</u>	<u>227,335</u>	<u>227,335</u>
Net Position			
Unrestricted	<u>58,870</u>	<u>-</u>	<u>58,870</u>
Total net position	<u><u>\$ 58,870</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,870</u></u>

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

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Fiduciary Funds
Year Ended June 30, 2015**

	<u>Trust/Agency Fund</u>	<u>Total</u>
Additions		
Net interest and investment gains	\$ 283	\$ 283
Other additions	8,877	8,877
Total additions	<u>9,160</u>	<u>9,160</u>
Deductions		
Contract services	<u>7,369</u>	<u>7,369</u>
Total deductions	<u>7,369</u>	<u>7,369</u>
Net change in fund balance	1,791	1,791
Fund balance, July 1, 2014	<u>57,079</u>	<u>57,079</u>
Fund balance, June 30, 2015	<u><u>\$ 58,870</u></u>	<u><u>\$ 58,870</u></u>

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 50. This is a major fund of the District.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

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

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

GRANT COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

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

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

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

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

Taxes

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<u>Governmental Activities</u>				
Land	\$ 2,510,500	\$ -	\$ -	\$ 2,510,500
Land improvements	2,068,012	-	-	2,068,012
Buildings and improvements	63,314,814	3,317,178	-	66,631,992
Technology equipment	4,192,460	181,678	8,775	4,365,363
Vehicles	4,578,166	1,040,585	-	5,618,751
General equipment	1,981,604	-	2,879	1,978,725
Construction work in progress	3,317,178	-	3,317,178	-
Totals at historical cost	<u>81,962,734</u>	<u>4,539,441</u>	<u>3,328,832</u>	<u>83,173,343</u>
Less: accumulated depreciation				
Land improvements	1,607,647	97,612	-	1,705,259
Buildings and improvements	17,564,604	1,477,680	-	19,042,284
Technology equipment	3,642,044	319,105	8,775	3,952,374
Vehicles	3,460,384	537,539	-	3,997,923
General equipment	1,434,358	87,440	2,879	1,518,919
Total accumulated depreciation	<u>27,709,037</u>	<u>2,519,376</u>	<u>11,654</u>	<u>30,216,759</u>
Governmental activities capital assets - net	<u>\$ 54,253,697</u>	<u>\$ 2,020,065</u>	<u>\$ 3,317,178</u>	<u>\$ 52,956,584</u>
<u>Business - Type Activities</u>				
Buildings and improvements	\$ 2,970,967	\$ -	\$ -	\$ 2,970,967
Technology equipment	53,229	-	6,363	46,866
General equipment	1,486,661	37,166	-	1,523,827
Totals at historical cost	<u>4,510,857</u>	<u>37,166</u>	<u>6,363</u>	<u>4,541,660</u>
Less: accumulated depreciation				
Buildings and improvements	1,229,035	79,419	-	1,308,454
Technology equipment	45,416	2,588	6,363	41,641
General equipment	913,028	88,177	-	1,001,205
Total accumulated depreciation	<u>2,187,479</u>	<u>170,184</u>	<u>6,363</u>	<u>2,351,300</u>
Business - type activities capital assets - net	<u>\$ 2,323,378</u>	<u>\$ (133,018)</u>	<u>\$ -</u>	<u>\$ 2,190,360</u>

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 1,521,744	\$ -
Student support services	121,797	-
Staff support services	10,331	-
District administration	144,824	-
School administration	16,461	-
Business support services	2,121	-
Plant operation and maintenance	444,550	-
Student transportation	256,634	-
Central office	871	-
Community service operations	43	-
Food service	-	170,184
	<u> </u>	<u> </u>
Total	<u>\$ 2,519,376</u>	<u>\$ 170,184</u>

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 this amount totaled approximately \$258,849 for those employees with twenty-seven or more years of experience.

NOTE 6 COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of buses under capital leases expiring between 2016 and after 2020. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2015, for each of the next five years and in the aggregate are as follows:

2015-2016	\$ 323,809
2016-2017	317,406
2017-2018	247,608
2018-2019	239,577
2019-2020	201,201
Thereafter	<u>353,493</u>
Total minimum payments	1,683,094
Less amount representing interest	<u>(151,673)</u>
Present value of net minimum lease payments	<u>\$ 1,531,421</u>

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

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

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
May 1, 2005	8,490,000	3.000% - 4.000%
June 1, 2005	203,000	3.625% - 3.875%
July 1, 2005	5,445,000	3.200% - 4.250%
November 1, 2006	1,930,000	3.500% - 4.000%
April 1, 2007	15,835,000	4.250% - 4.300%
October 1, 2010	2,215,000	0.600% - 3.100%
March 1, 2013	4,490,000	1.400% - 2.200%
January 8, 2014	4,470,000	2.150% - 4.100%
April 1, 2015	7,940,000	0.300% - 3.210%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Grant County Fiscal Court and the Grant County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are reported in Note 17.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2015, was \$1,162,124, which consisted of \$893,951 from the District and \$268,173 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$1,220,614 and \$1,245,590, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2015, was \$2,291,787, which consisted of \$476,653 from the District and \$1,815,134 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$2,000,129 and \$1,859,194, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 7,104,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>95,782,876</u>
	<u>\$ 102,886,876</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.218951% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$893,951 related to CERS and \$2,257,153 related to KTRS. The District also recognized revenue of \$2,257,173 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 793,000
District contributions subsequent to the measurement date	<u>893,951</u>	
Total	<u>\$ 893,951</u>	<u>\$ 793,000</u>

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

\$893,951 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 158,600
2017	158,600
2018	158,600
2019	158,600
2020	158,600

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	45%	6.40%	30%	8.45%
Non-US equity	17%	6.50%	22%	8.85%
Emerging market equity	-	-	5%	10.50%
Private equity	-	-	7%	1.25%
Core US fixed income	-	-	10%	5.25%
High yield US fixed income	-	-	5%	7.25%
Non-US fixed incomes	-	-	5%	5.50%
Commodities	-	-	5%	7.75%
TIPS	-	-	5%	5.00%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	7.00%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	1%	3.25%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	1,043,535	793,000	571,646
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE 9 CONTINGENCIES

Grant Fund Approval

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

NOTE 10 INSURANCE AND RELATED ACTIVITIES

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 DEFICIT OPERATING/FUND BALANCES

The District currently has no funds with a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 1,616,570
Food Service	170,416
Grant County High School	128,464
Building Fund	89,586
Mason Corinth Elementary	28,440
Dry Ridge Elementary	21,881
Grant County Middle School	10,244
Sherman Elementary	8,814
Crittenden Mt. Zion Elementary	7,494

NOTE 13 COBRA

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

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 14 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2015, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$50,511. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Building Fund	General Fund	Operating	\$ 285,793
Capital Outlay Fund	General Fund	Operating	\$ 355,700
Food Service Fund	General Fund	Indirect Cost	\$ 144,037
Special Revenue Fund	Special Revenue Fund	Operating	\$ 12,332
General Fund	Special Revenue Fund	Operating	\$ 84,350
Building Fund	Debt Service Fund	Debt Service	\$ 3,120,769

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2015 total payments of \$6,331,942 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 5,481,199
Debt Service	358,056
Food Service	492,687
Total On-Behalf	<u>\$ 6,331,942</u>

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

2005, 2005A, 2005B, 2006, 2007, 2010, 2010R, 2013 AND 2014 Series

<u>Fiscal Year</u>	<u>Grant County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015-2016	\$ 1,829,382	\$ 1,144,061	\$ 295,618	\$ 62,854	\$ 3,331,915
2016-2017	1,861,627	1,116,561	287,373	64,435	3,329,997
2017-2018	1,927,670	1,050,143	222,330	55,691	3,255,834
2018-2019	1,991,445	987,092	228,555	49,463	3,256,555
2019-2020	2,049,449	921,576	210,551	43,290	3,224,866
2020-2021	2,124,369	847,820	115,631	37,112	3,124,932
2021-2022	2,192,032	780,113	117,968	34,776	3,124,889
2022-2023	2,264,574	709,672	120,426	32,317	3,126,989
2023-2024	2,326,909	642,820	123,091	29,652	3,122,473
2024-2025	2,418,629	557,338	126,371	26,372	3,128,710
2025-2026	2,504,779	466,418	130,221	22,523	3,123,941
2026-2027	2,595,814	377,529	134,186	18,557	3,126,086
2027-2028	1,441,727	256,861	138,273	14,470	1,851,331
2028-2029	1,487,516	208,497	142,484	10,259	1,848,756
2029-2030	1,533,082	158,043	146,918	5,826	1,843,869
2030-2031	1,562,025	105,150	112,975	1,765	1,781,916
2031-2032	540,000	67,800	-	-	607,800
2032-2033	565,000	46,200	-	-	611,200
2033-2034	590,000	23,600	-	-	613,600
	<u>\$ 33,806,029</u>	<u>\$ 10,467,294</u>	<u>\$ 2,652,971</u>	<u>\$ 509,363</u>	<u>\$ 47,435,657</u>

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2015</u>
Bond Obligations	<u>\$ 38,214,000</u>	<u>\$ 7,940,000</u>	<u>\$ 9,695,000</u>	<u>\$ 36,459,000</u>
Capital Leases	<u>\$ 1,872,519</u>	<u>\$ -</u>	<u>\$ 341,098</u>	<u>\$ 1,531,421</u>

GRANT COUNTY SCHOOL DISTRICT

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

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$7,104,000 reduction in beginning net position on the Statement of Activities and an increase of \$893,951 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2015, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

GRANT COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Non-major Government Funds</u>
Assets						
Current:						
Cash and cash equivalents	\$ 359,307	\$ 372,571	\$ 288,020	\$ -	\$ 189,879	\$ 1,209,777
Prepaid expenses	-	-	-	2,941	-	2,941
Total current	<u>\$ 359,307</u>	<u>\$ 372,571</u>	<u>\$ 288,020</u>	<u>\$ 2,941</u>	<u>\$ 189,879</u>	<u>\$ 1,212,718</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,941	\$ 4,210	\$ 7,151
Total liabilities	-	-	-	2,941	4,210	7,151
Fund Balances:						
Restricted:						
Capital projects	359,307	372,571	288,020	-	-	1,019,898
Other	-	-	-	-	185,669	185,669
Total fund balances	<u>359,307</u>	<u>372,571</u>	<u>288,020</u>	<u>-</u>	<u>185,669</u>	<u>1,205,567</u>
Total liabilities and fund balances	<u>\$ 359,307</u>	<u>\$ 372,571</u>	<u>\$ 288,020</u>	<u>\$ 2,941</u>	<u>\$ 189,879</u>	<u>\$ 1,212,718</u>

GRANT COUNTY SCHOOL DISTRICT

**Combining Statements of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:						
Taxes	\$ -	\$ 1,669,155	\$ -	\$ -	\$ -	\$ 1,669,155
Earnings on investments	2,927	7,519	3,527	-	-	13,973
State sources	355,700	1,551,420	-	358,058	-	2,265,178
Federal sources	-	88,883	-	-	-	88,883
Other sources	-	-	-	-	346,965	346,965
Total revenues	<u>358,627</u>	<u>3,316,977</u>	<u>3,527</u>	<u>358,058</u>	<u>346,965</u>	<u>4,384,154</u>
Expenditures:						
Instructional	-	-	-	-	102,591	102,591
Staff support services	-	-	-	-	31,175	31,175
Plant operation and maintenance	-	-	-	-	2,320	2,320
Student transportation	-	-	-	-	25,210	25,210
Facility acquisition and construction	-	-	1,620,097	-	-	1,620,097
Debt service:						
Principal	-	-	-	1,990,000	-	1,990,000
Interest	-	-	-	1,488,827	-	1,488,827
Total expenditures	<u>-</u>	<u>-</u>	<u>1,620,097</u>	<u>3,478,827</u>	<u>161,296</u>	<u>5,260,220</u>
Excess (deficit) of revenues over expenditures	<u>358,627</u>	<u>3,316,977</u>	<u>(1,616,570)</u>	<u>(3,120,769)</u>	<u>185,669</u>	<u>(876,066)</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	3,120,769	-	3,120,769
Operating transfers out	(355,700)	(3,406,563)	-	-	-	(3,762,263)
Total other financing sources(uses)	<u>(355,700)</u>	<u>(3,406,563)</u>	<u>-</u>	<u>3,120,769</u>	<u>-</u>	<u>(641,494)</u>
Net change in fund balance	2,927	(89,586)	(1,616,570)	-	185,669	(1,517,560)
Fund balance, July 1, 2014	<u>356,380</u>	<u>462,157</u>	<u>1,904,590</u>	<u>-</u>	<u>-</u>	<u>2,723,127</u>
Fund balance, June 30, 2015	<u>\$ 359,307</u>	<u>\$ 372,571</u>	<u>\$ 288,020</u>	<u>\$ -</u>	<u>\$ 185,669</u>	<u>\$ 1,205,567</u>

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – General Fund
As of June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 5,044,673	\$ 5,044,673	\$ 5,607,568	\$ 562,895
Earnings on investments	31,000	31,000	24,890	(6,110)
State sources	16,362,295	21,795,626	22,219,294	423,668
Federal sources	87,300	87,300	206,599	119,299
Other revenues	16,000	16,000	185,952	169,952
Total revenues	<u>21,541,268</u>	<u>26,974,599</u>	<u>28,244,303</u>	<u>1,269,704</u>
Expenditures				
Instructional	13,107,558	16,377,241	15,117,224	1,260,017
Student support services	1,004,435	1,442,108	1,718,041	(275,933)
Staff support services	1,357,471	1,751,300	1,681,950	69,350
District administration	466,265	537,192	604,866	(67,674)
School administration	1,761,900	2,121,786	2,181,764	(59,978)
Business support services	429,972	533,788	701,958	(168,170)
Plant operation and maintenance	2,873,807	3,738,604	3,608,233	130,371
Student transportation	2,091,551	2,475,858	2,557,333	(81,475)
Food service operation	98,117	106,582	87,413	19,169
Debt service	400,000	392,040	392,040	-
Other items	1,827,112	2,027,484	-	2,027,484
Total expenditures	<u>25,418,188</u>	<u>31,503,983</u>	<u>28,650,822</u>	<u>2,853,161</u>
Excess (deficit) of revenues over expenditures	<u>(3,876,920)</u>	<u>(4,529,384)</u>	<u>(406,519)</u>	<u>4,122,865</u>
Other Financing Sources (Uses)				
Operating transfers in	120,000	797,608	785,531	(12,077)
Operating transfers out	<u>(34,604)</u>	<u>(59,748)</u>	<u>(84,350)</u>	<u>(24,602)</u>
Total other financing sources (uses)	<u>85,396</u>	<u>737,860</u>	<u>701,181</u>	<u>(36,679)</u>
Net change in fund balance	<u>(3,791,524)</u>	<u>(3,791,524)</u>	294,662	4,086,186
Fund balance, July 1, 2014	<u>3,791,524</u>	<u>3,791,524</u>	<u>3,894,643</u>	<u>103,119</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,189,305</u>	<u>\$ 4,189,305</u>

GRANT COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue Fund
As of June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 1,326,637	\$ 1,335,792	\$ 1,141,666	\$ (194,126)
Federal sources	2,060,904	2,063,395	1,992,575	(70,820)
Other sources	<u>93,403</u>	<u>146,672</u>	<u>136,413</u>	<u>(10,259)</u>
Total revenues	<u>3,480,944</u>	<u>3,545,859</u>	<u>3,270,654</u>	<u>(275,205)</u>
Expenditures				
Instruction	2,523,452	2,559,307	2,331,070	228,237
Student support services	191,128	181,027	181,062	(35)
Instruction staff support services	443,360	449,663	442,620	7,043
Plant operation and maintenance	-	81,983	67,702	14,281
Student transportation	47,695	47,695	22,016	25,679
Community service operations	<u>309,913</u>	<u>310,534</u>	<u>310,534</u>	<u>-</u>
Total expenditures	<u>3,515,548</u>	<u>3,630,209</u>	<u>3,355,004</u>	<u>275,205</u>
Excess (deficit) of revenues over expenditures	<u>(34,604)</u>	<u>(84,350)</u>	<u>(84,350)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in	34,604	96,682	96,682	-
Operating transfers out	<u>-</u>	<u>(12,332)</u>	<u>(12,332)</u>	<u>-</u>
Total other financing sources (uses)	<u>34,604</u>	<u>84,350</u>	<u>84,350</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2015**

	<u>Issue of 2005</u>	<u>Issue of 2005A</u>	<u>Issue of 2005B</u>	<u>Issue of 2006</u>	<u>Issue of 2007</u>	<u>Issue of 2010</u>
Cash at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	163,710	1,192,200	27,127	149,240	866,592	582,778
Disbursements:						
Bonds paid	155,000	1,060,000	25,000	90,000	260,000	200,000
Interest coupons	8,710	132,200	2,127	59,240	606,592	382,778
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	163,710	1,192,200	27,127	149,240	866,592	582,778
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-	-
Accounts Receivable and Payable	-	-	-	-	-	-
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund Balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2010R</u>	<u>Issue of 2013</u>	<u>Issue of 2014</u>	<u>Issue of 2015</u>	<u>Capital Lease Payments</u>	<u>Total</u>
Cash at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	132,584	136,801	227,795	-	392,040	3,870,867
Disbursements:						
Bonds paid	75,000	65,000	60,000	-	341,098	2,331,098
Interest coupons	57,584	71,801	167,795	-	50,942	1,539,769
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	132,584	136,801	227,795	-	392,040	3,870,867
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-	-
Accounts Receivable and Payable	-	-	-	-	-	-
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund Balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Grant County High School Activity Fund
For the Year Ended June 30, 2015**

	<u>Fund Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2015</u>
Academic team	\$ 2,242	\$ -	\$ 1,068	\$ 1,174
Ad achievers	110	-	97	13
Adam Allie Fund	191	-	-	191
Advanced placement	4,473	6,481	10,570	384
Ag classroom	60	859	851	68
Amy Robinson	59	900	959	-
Annual	9,888	2,870	10,000	2,758
Archery	-	6,113	5,107	1,006
Art	926	4,223	4,490	659
Assessment committee	687	-	29	658
Athletic director	3,669	42,458	42,321	3,806
Band	-	7,422	7,309	113
Baseball	792	7,492	7,652	632
Basketball holiday tour	-	-	-	-
Biology field trip	509	860	1,338	31
Biomedical	8	4,366	4,364	10
BJ Toll scholarship	10,325	2,750	12,227	848
Bookfund	50,811	39,059	88,670	1,200
Boy's basketball	2,567	30,684	30,634	2,617
Boy's elementary basketball	1,667	6,665	6,518	1,814
Boy's golf	1,233	15,394	15,459	1,168
Boy's soccer	232	7,359	7,483	108
Cheerleaders	469	17,864	16,548	1,785
Child development	354	3,004	3,079	279
Chorus	3,106	37,089	39,247	948
Computer fund	30	-	-	30
Conscession	-	-	-	-
Cooking account	684	2,477	2,878	283
CPR	930	5	245	690
Cross country	5,487	11,434	13,642	3,279
Culinary café	771	3,293	3,820	244
Dance team	48	1,759	1,622	185
District baseball	-	-	-	-
District boys/girls	-	-	-	-
District soccer	-	2,920	2,243	677
District Volleyball	-	-	-	-
Dry Ridge Toyota scholarship	4,700	-	3,525	1,175
Dual credit	3,843	473	4,155	161
English	624	790	1,357	57
Fashion	130	98	228	-
Fast pitch district	-	-	-	-
Fast pitch softball	1,655	4,601	4,283	1,973
FCCLA	802	56,790	56,363	1,229
Field trips	314	-	228	86
Floral design	859	-	859	-
Football	1,451	27,421	27,297	1,575
Football bowl	-	-	-	-
Foreign language	17	10	13	14
Future business	1,677	15,210	16,409	478
Future Farmers of America	1,859	7,701	8,931	629
General	117	56,354	56,157	314
Gilman Dr	10,453	1,625	11,776	302
Girl's basketball	1,105	18,529	16,355	3,279

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Grant County High School Activity Fund (Continued)
For the Year Ended June 30, 2015**

	<u>Fund Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2015</u>
Girl's elementary basketball	\$ 1,825	\$ 7,915	\$ 6,565	\$ 3,175
Girl's golf	2,431	10,423	9,178	3,676
Girl's golf region 6	490	1,640	1,432	698
Girl's soccer	818	5,123	5,941	-
Greenhouse	3,638	5,460	3,981	5,117
Health Occupation	-	7,714	6,507	1,207
Health Sciences	164	1,125	1,143	146
ID's	71	7	-	78
JROTC	-	4,000	4,000	-
KYCID	920	75	551	444
Leadership class	211	1,850	1,648	413
Library club	133	-	-	133
Lloyd Franks Scholarship	19,964	64	500	19,528
Locks	3,328	1,991	5,066	253
Marching band	2,136	25,723	24,738	3,121
Math	163	2,393	2,379	177
Math field trip	408	-	215	193
MOS certification exams	120	-	90	30
Mu Alpha Theta	25	260	160	125
National Eng. Society	774	-	-	774
National honor society	912	1,700	1,549	1,063
National technical honor	65	25	35	55
Parking stickers	3,275	2,675	5,522	428
PE Account	339	196	527	8
Pep club	357	720	366	711
Poetry out loud	-	500	-	500
Print shop	216	200	220	196
Project graduation	-	-	-	-
Prom account	13,854	13,184	16,603	10,435
R.C. Durr Foundation	3,621	-	3,564	57
Reach	1,123	121	1,174	70
Relay for Life	251	1,687	1,900	38
School play	46	-	-	46
Science	511	-	479	32
Senior class	8,053	12,735	17,865	2,923
Skills USA	288	2,038	2,106	220
Smoking	420	270	-	690
Social committee	11	-	11	-
Spanish honor society	71	990	880	181
Speech & drama	3,309	-	-	3,309
STLP	216	-	-	216
Student council	1,830	1,051	1,350	1,531
Student incentives	1,003	10,140	9,275	1,868
Teacher's lounge	499	3,517	2,442	1,574
Tech Student Assoc	3,188	7,261	8,162	2,287
Tennis	-	3,681	3,681	-
The Brave's banner	8,028	-	8,028	-

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Grant County High School Activity Fund
For the Year Ended June 30, 2015**

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
Track	\$ 2,567	\$ 6,057	\$ 7,641	\$ 983
UNICEF	9	-	-	9
Veteran's program fund	-	-	-	-
Video production	172	360	190	342
Volleyball	2,467	6,169	6,248	2,388
Welding	-	310	264	46
Wrestling	-	6,154	3,946	2,208
York scholarship fund	15,069	-	14,842	227
	<u>\$ 241,323</u>	<u>\$ 612,906</u>	<u>\$ 741,370</u>	<u>\$ 112,859</u>

GRANT COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
For the Year Ended June 30, 2015**

	Grant County Middle School	Crittenden Mt. Zion Elementary	Dry Ridge Elementary
Fund balances at July 1, 2014	\$ 55,095	\$ 44,077	\$ 39,559
Add: receipts	118,681	37,664	36,048
Less: disbursements	<u>(128,925)</u>	<u>(45,158)</u>	<u>(57,929)</u>
Fund balance at June 30, 2015	<u>\$ 44,851</u>	<u>\$ 36,583</u>	<u>\$ 17,678</u>
	Mason Corinth Elementary	Sherman Elementary	Total
Fund balances at July 1, 2014	\$ 38,871	\$ 13,747	\$ 191,349
Add: receipts	22,492	9,667	224,552
Less: disbursements	<u>(50,932)</u>	<u>(18,481)</u>	<u>(301,425)</u>
Fund balance at June 30, 2015	<u>\$ 10,431</u>	<u>\$ 4,933</u>	<u>\$ 114,476</u>

GRANT COUNTY SCHOOL DISTRICT

Schedule of the Districts Proportionate Share of the Net Pension Liability - KTRS

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of the net pension liability	0%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	*	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>95,782,876</u>	*	*	*	*	*	*	*	*	*
Total	<u>\$ 95,782,876</u>	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 14,604,761	\$ 14,616,767	\$ 12,678,958	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.59%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GRANT COUNTY SCHOOL DISTRICT

Schedule of District Contributions - KTRS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 476,653	\$ 341,476	\$ 272,544	\$ 285,191	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(476,653)</u>	<u>(341,476)</u>	<u>(272,544)</u>	<u>(285,191)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 14,992,077	\$ 14,604,761	\$ 14,616,767	\$ 12,678,958	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.18%	2.34%	1.86%	2.25%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GRANT COUNTY SCHOOL DISTRICT

Schedule of the Districts Proportionate Share of the Net Pension Liability - CERS

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of net pension liability	0.218951%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 7,104,000	*	*	*	*	*	*	*	*	*
Total net pension liability	\$ 3,244,377,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 5,055,996	\$ 5,024,511	\$ 4,943,721	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.5%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

GRANT COUNTY SCHOOL DISTRICT
Schedule of District Contributions - CERS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 893,951	\$ 955,078	\$ 982,292	\$ 937,329	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(893,951)</u>	<u>(955,078)</u>	<u>(982,292)</u>	<u>(937,329)</u>	*	*	*	*	*	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*	*	*	*	*	*
District's covered-employee payroll	\$ 5,073,371	\$ 5,055,996	\$ 5,024,511	\$ 4,943,721	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	17.62%	18.89%	19.55%	18.96%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GRANT COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE June 30, 2015
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 15	\$ 694,587
Special Education_Preschool Grants	84.173	3800002 15	32,821
Total Special Education Cluster			<u>727,408</u>
Adult Education - Basic Grants to States	84.002	5520912 09	<u>33</u>
Career and Technical Education - Basic Grants to States	84.048	3710002 15	44,510
Career and Technical Education - Basic Grants to States - ARRA	84.048A	4621332 13	1,825
Total CFDA #84.048			<u>46,335</u>
Title I Grants to Local Educational Agencies	84.010	3100002 13	6,806
Title I Grants to Local Educational Agencies	84.010	3100002 14	262,526
Title I Grants to Local Educational Agencies	84.010	3100002 15	770,099
Total CFDA #84.010			<u>1,039,431</u>
English Language Acquisition State Grants	84.365	3300002 14	2,418
English Language Acquisition State Grants	84.365	3300002 15	10,455
Total CFDA #84.365			<u>12,873</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 14	60,104
Title II Improving Teacher Quality State Grants	84.367	3230002 15	105,688
Total CFDA #84.367			<u>165,792</u>
Race to the Top	84.413A	3960002 11	<u>536</u>
Total U.S. Department of Education			<u>1,992,408</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005 14	82,990
School Breakfast Program	10.553	7760005 15	333,983
National School Lunch Program	10.555	7750002 14	216,011
National School Lunch Program	10.555	7750002 15	878,585
Summer Food Service Program for Children	10.559	7690024 14	2,543
Summer Food Service Program for Children	10.559	7740023 14	24,427
			<u>1,538,539</u>
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	4002088	<u>150,938</u>
Total Child Nutrition Cluster			<u>1,689,477</u>
Total U.S. Department of Agriculture			<u>1,689,477</u>
Total Expenditures of Federal Awards			<u>\$ 3,681,885</u>

GRANT COUNTY SCHOOL DISTRICT

**Notes to the Schedule of Federal Awards
For the Year Ended June 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Grant County School District under programs of the federal government for the year ended June 30, 2015, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Grant County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2015, the District reported food commodities expended in the amount of \$150,938.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Grant County School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted other matters that we reported to management of the District in a separate letter dated November 13, 2015.

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

(Continued)

Purpose of this Report

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015



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

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

Report on Compliance for Each Major Federal Program

We have audited Grant County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Grant County School District's major federal programs for the year ended June 30, 2015. Grant County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Grant County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grant County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Grant County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Grant County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

(Continued)

Report on Internal Control Over Compliance

Management of Grant County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grant County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grant County School District's internal control over compliance.

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

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

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



Crestview Hills, Kentucky
November 13, 2015

GRANT COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

Table with 2 columns: CFDA No., Name of Federal Program or Cluster. Row 1: 10.553/10.555/10.559, Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

GRANT COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

<u>Reference Number</u>	<u>Summary of Findings</u>	<u>Status</u>
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No matters are reportable

GRANT COUNTY SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2015**

In planning and performing our audit of the financial statements of Grant County School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2015 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2015, on the financial statements of the Grant County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

GRANT COUNTY HIGH SCHOOL

No matters are reportable

GRANT COUNTY MIDDLE SCHOOL

No matters are reportable

CRITTENDEN-MT. ZION ELEMENTARY

No matters are reportable

DRY RIDGE ELEMENTARY

No matters are reportable

MASON-CORINTH ELEMENTARY

No matters are reportable

SHERMAN ELEMENTARY

No matters are reportable

GRANT COUNTY SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2015
(Continued)**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

GRANT COUNTY HIGH SCHOOL

No matters are reportable

GRANT COUNTY MIDDLE SCHOOL

Statement of prior year deficiency:

- It was noted that the signature line on voided checks were not removed.
- It was noted that the monthly and annual financial reports were not signed off on by the proper District personnel

Current year follow-up: Issues were not noted in the current year

CRITTENDEN-MT. ZION ELEMENTARY

No matters are reportable

DRY RIDGE ELEMENTARY

No matters are reportable

MASON-CORINTH ELEMENTARY

Statement of prior year deficiency:

- It was noted that invoices were not marked as paid.

Current year follow-up: Issues were not noted in the current year.

SHERMAN ELEMENTARY

Statement of prior year deficiency:

- It was noted that invoices were not marked as paid.

Current year follow-up: Issues were not noted in the current year.