

GRAND COUNTY SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2013

GRAND COUNTY SCHOOL DISTRICT

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Year Ended June 30, 2013

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Independent Auditor's Report

Board of Education
Grand County School District

Report on the Basic Financial Statements

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

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand County School District as of June 30, 2013, and the respective changes in

financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules 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 fund statements and schedules 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 December 2, 2013, on our consideration of the 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 the District's internal control over financial reporting and compliance.



Orem, Utah
December 2, 2013

Management's Discussion and Analysis

This section of Grand County School District's (the District) financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2013.

Financial Highlights

- The District's net position was \$13.9 million at the close of the most recent fiscal year.
- During the year, expenses were \$0.6 million less than the \$16.9 million generated in taxes and other revenues for governmental activities.
- District student enrollment decreased by 39 students resulting in a total of 1,466 students as of October 1, 2012.

Overview of the Financial Statements

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

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a consolidated 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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the remainder being 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 net position of the District 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 (e.g., uncollected taxes and earned but unused vacation and sick leave).

The government-wide financial statements of the District are reported as *governmental activities*. The District's basic services are included here, such as instruction, various supporting services, food services, community services, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as governmental funds.

- **Governmental funds** – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District’s near-term financing requirements.

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

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the governmental funds is provided in the *combining and individual statements and schedules* section of this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 17 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 29 of this report.

Additional information – The individual and combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements on pages 30 through 37 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13.9 million at the close of the most recent fiscal year.

GRAND COUNTY SCHOOL DISTRICT'S Net Position
June 30, 2013 and 2012
(in millions of dollars)

| | Governmental activities | | Total |
|-----------------------------------|-------------------------|----------------|---------------------|
| | 2013 | 2012 | change 2013-2012 |
| Current and other assets | \$ 18.0 | \$ 18.4 | \$ (0.4) |
| Capital assets | 37.3 | 37.5 | (0.2) |
| Total assets | <u>55.3</u> | <u>55.9</u> | <u>(0.6)</u> |
| Deferred outflows of resources | <u>3.5</u> | <u>3.8</u> | <u>(0.3)</u> |
| Current and other liabilities | 2.2 | 2.1 | 0.1 |
| Long-term liabilities outstanding | <u>34.9</u> | <u>36.5</u> | <u>(1.6)</u> |
| Total liabilities | <u>37.1</u> | <u>38.6</u> | <u>(1.5)</u> |
| Deferred inflows of resources | <u>7.8</u> | <u>7.8</u> | <u>-</u> |
| Net position: | | | |
| Net investment in capital assets | 7.8 | 7.1 | 0.7 |
| Restricted | 3.5 | 4.2 | (0.7) |
| Unrestricted | <u>2.6</u> | <u>2.0</u> | <u>0.6</u> |
| Total net position | <u>\$ 13.9</u> | <u>\$ 13.3</u> | <u>\$ 0.6</u> |

- The largest portion of the District's net position (\$7.8 million) reflects its investment in capital assets (e.g., land, buildings and improvements, and equipment and buses, net of accumulated depreciation), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to 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.
- An additional portion of the District's net position (\$3.5 million) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for debt service and capital projects. Restricted net position decreased by \$0.7 million during the year ended June 30, 2013. This decrease resulted primarily from use of resources restricted for community recreation.
- The remaining balance of net position (\$2.6 million) is unrestricted and may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

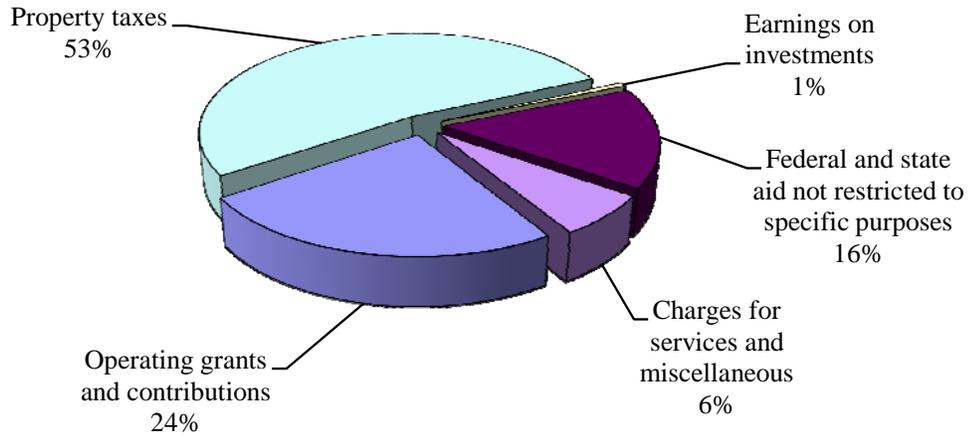
Governmental activities – The District's net position increased by \$0.6 million during the current year from activities. The following discussion and analysis on governmental activities focuses on this increase.

GRAND COUNTY SCHOOL DISTRICT'S Changes in Net Position
Years Ended June 30, 2013 and 2012
(in millions of dollars)

| | Governmental activities | | Total |
|--|-------------------------|----------------|---------------------|
| | 2013 | 2012 | change 2013-2012 |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 0.7 | \$ 0.7 | \$ - |
| Operating grants and contributions | 4.1 | 4.2 | (0.1) |
| General revenues: | | | |
| Property taxes | 8.9 | 8.6 | 0.3 |
| Federal and state aid not restricted to specific purposes | 2.7 | 2.9 | (0.2) |
| Earnings on investments | 0.1 | 0.1 | - |
| Miscellaneous | 0.4 | 0.8 | (0.4) |
| Total revenues | <u>16.9</u> | <u>17.3</u> | <u>(0.4)</u> |
| Expenses: | | | |
| Instruction | 8.1 | 8.7 | (0.6) |
| Supporting services: | | | |
| Students | 0.3 | 0.3 | - |
| Instructional staff | 0.8 | 0.6 | 0.2 |
| General administration | 0.3 | 0.5 | (0.2) |
| School administration | 0.8 | 0.7 | 0.1 |
| Central | 0.5 | 0.5 | - |
| Operation and maintenance of facilities | 1.5 | 1.5 | - |
| Student transportation | 0.6 | 0.7 | (0.1) |
| Community recreation | 1.2 | 1.0 | 0.2 |
| Food services | 0.7 | 0.7 | - |
| Interest on long-term liabilities | 1.5 | 1.3 | 0.2 |
| Total expenses | <u>16.3</u> | <u>16.5</u> | <u>(0.2)</u> |
| Increase in net position | 0.6 | 0.8 | (0.2) |
| Net position - beginning | <u>13.3</u> | <u>12.5</u> | <u>0.8</u> |
| Net position - ending | <u>\$ 13.9</u> | <u>\$ 13.3</u> | <u>\$ 0.6</u> |

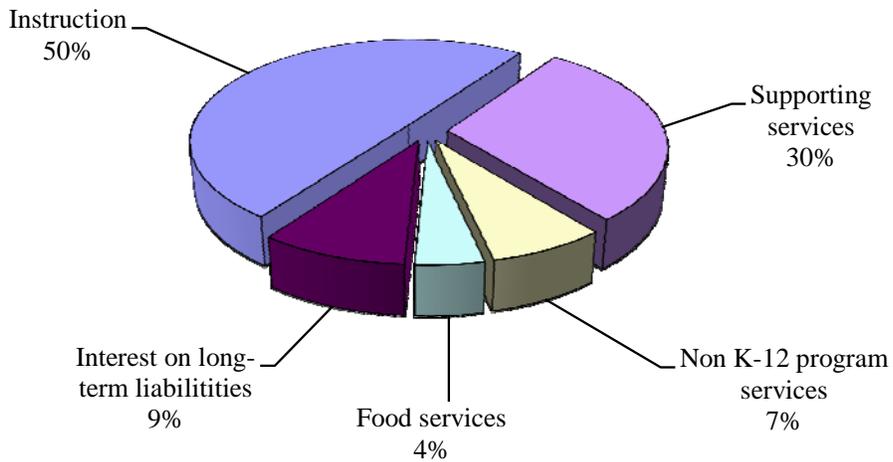
- The largest net dollar increase in revenues is from property taxes. Property taxes increased by \$0.3 million in 2013 as a result of changes in collections, tax rates, and the values of taxable property within the District. Additionally, the District collected property tax revenue from San Juan County for the students who are residents of San Juan County which attend school in the District.
- State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that if local taxes do not provide money equal to the WPU, the state will make up the difference with state funding. The value of the WPU increased by 0.9% during the year ended June 30, 2013 (\$2,842 during 2013 as compared to \$2,816 in 2012). However, overall state funding decreased by 4.1% due to decreased enrollment.

**Grand County School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2013**



- Instruction represents the largest dollar portion of expense of \$8.1 million primarily for teacher salaries and related benefits.

**Grand County School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2013**



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$8.1 million, \$0.5 million less than the previous year. Included in this year's change in the combined fund balance is a decrease in the fund balance of other governmental funds of \$0.6 million and an increase in the *general fund* of \$0.5 million primarily due to closing the *non K-12 fund* and transferring the remaining residual fund balance to the *general fund*. The *capital projects fund* had a decrease in fund balance of \$0.2 million primarily due to the expenditure of bond proceeds restricted for capital outlay. This year's change also includes a decrease in the fund balance of the *debt service fund* of \$0.3 million due to bond principal and interest payments. Bond principal and interest payments are due July 1 and January 1 of each year; cash with fiscal agent of \$2.2 million at June 30, 2013 was disbursed on July 1, 2013. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$12.6 million. Instruction represents 54.0% of *general fund* expenditures.
- *General fund* salaries totaled \$7.3 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$3.3 million to arrive at 84.1% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes inventories and prepaid items that are not expected to be converted to cash. *Restricted* includes net fund resources of the District that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions include tax revenues levied for specific purposes. *Committed* balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2013, the District's combined governmental fund balance is \$8.1 million (\$0.1 million in nonspendable, \$5.4 million in restricted, \$0.7 million in assigned, and \$1.9 million in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$0.1 million in total *general fund* expenditures. During the year, final budgeted revenues increased by \$1.4 million to reflect anticipated increases in property taxes and state revenue.

Even with these adjustments, actual expenditures were \$0.1 million more than final budgeted amounts. Other variances normally result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset and Debt Administration

Capital assets – The District’s investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$37.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment and buses. The total decrease in capital assets for the current year was \$0.2 million or 0.5%.

Capital assets at June 30, 2013 and 2012 are outlined below:

GRAND COUNTY SCHOOL DISTRICT'S Capital Assets
June 30, 2013 and 2012
(net of accumulated depreciation, in millions of dollars)

| | Governmental activities | | Total |
|----------------------------|-------------------------|----------------|---------------------|
| | 2013 | 2012 | change 2013-2012 |
| Land | \$ 0.6 | \$ 0.6 | \$ - |
| Buildings and improvements | 36.1 | 36.3 | (0.2) |
| Equipment and buses | 0.6 | 0.6 | - |
| Total capital assets | <u>\$ 37.3</u> | <u>\$ 37.5</u> | <u>\$ (0.2)</u> |

Additional information on the District’s capital assets can be found in Note 4 to the basic financial statements.

Debt administration – At the end of the current year, the District had total bonded debt outstanding of \$34.6 million (net of unamortized amounts for bond issuance premiums). Payment of the debt is backed by the full faith and credit of the District as well as the State of Utah under provisions of The Guaranty Act. The District’s total debt decreased by \$1.6 million or 4.4% during the current year. The decrease was a result of principal payments on the outstanding bonds.

GRAND COUNTY SCHOOL DISTRICT'S Outstanding Debt
June 30, 2013 and 2012
(in millions of dollars)

| | Governmental activities | | Total |
|------------------------------|-------------------------|----------------|---------------------|
| | 2013 | 2012 | change 2013-2012 |
| Net general obligation bonds | <u>\$ 34.6</u> | <u>\$ 36.2</u> | <u>\$ (1.6)</u> |

Although it is not unusual for governments to have a 30-year bond payoff schedule, the District maintains an aggressive schedule to retire all of its general obligation bonds by 2029.

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2013 is about \$64.2 million. General obligation debt, net of unamortized bond issuance premiums, at June 30, 2013 is \$34.6 million, resulting in a legal debt margin of about \$29.6 million.

Additional information on the District’s long-term debt can be found in Note 7 to the basic financial statements.

Enrollment

The District anticipates student enrollment to remain relatively constant. The following enrollment information is based on the annual October 1 counts:

**GRAND COUNTY SCHOOL DISTRICT'S Enrollment
October 1 Count**

| <u>School Year</u> | <u>Enrollment</u> | <u>Change</u> |
|--------------------|-------------------|---------------|
| 2013-14 | 1,455 | -0.8% |
| 2012-13 | 1,466 | -2.6% |
| 2011-12 | 1,505 | -0.3% |
| 2010-11 | 1,510 | -1.0% |
| 2009-10 | 1,526 | 1.9% |
| 2008-09 | 1,498 | 0.8% |
| 2007-08 | 1,486 | -0.9% |
| 2006-07 | 1,500 | 2.0% |
| 2005-06 | 1,470 | 3.7% |
| 2004-05 | 1,418 | -3.8% |

Moab Community School, a Utah public charter school within the District’s boundaries, began the 2004-05 school year.

Contacting the District’s Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of Park City School District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Business Administrator at Grand County School District, 264 South 400 East, Moab, Utah 84532.

Basic Financial Statements

GRAND COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and investments | \$ 6,926,484 |
| Cash with fiscal agent | 2,178,794 |
| Receivables: | |
| Property taxes | 8,327,468 |
| Other local | 65,185 |
| State of Utah | 40,203 |
| Federal government | 380,576 |
| Inventories and prepaid items | 109,898 |
| Capital assets: | |
| Land | 630,772 |
| Buildings and other capital assets, net of accumulated depreciation | 36,647,048 |
| Total assets | 55,306,428 |
| Deferred outflows of resources: | |
| Deferred amounts on refunding | 3,551,183 |
| Liabilities: | |
| Accounts and contracts payable | 28,419 |
| Accrued interest | 633,326 |
| Accrued salaries and benefits | 1,382,877 |
| Unearned revenue: | |
| State of Utah | 158,735 |
| Long-term liabilities: | |
| Portion due or payable within one year | 1,650,445 |
| Portion due or payable after one year | 33,287,785 |
| Total liabilities | 37,141,587 |
| Deferred inflows of resources: | |
| Property taxes levied for future year | 7,839,791 |
| Net position: | |
| Net investment in capital assets | 7,770,179 |
| Restricted for: | |
| Debt service | 1,459,997 |
| Capital projects | 1,954,864 |
| Food services | 33,856 |
| Other purposes | 34,469 |
| Unrestricted | 2,322,868 |
| Total net position | \$ 13,576,233 |

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

GRAND COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2013

| <u>Activities / Functions</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> |
|---|----------------------|-------------------------|----------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Net Position</u> |
| | | | | <u>Total</u> |
| | | | | <u>Governmental</u> |
| | | | | <u>Activities</u> |
| Governmental activities: | | | | |
| Instruction | \$ 8,072,661 | \$ 538,119 | \$ 2,654,900 | \$ (4,879,642) |
| Supporting services: | | | | |
| Students | 269,685 | - | 95,876 | (173,809) |
| Instructional staff | 776,131 | - | 272,064 | (504,067) |
| General administration | 329,997 | - | - | (329,997) |
| School administration | 782,363 | - | 18,129 | (764,234) |
| Central | 537,914 | - | - | (537,914) |
| Operation and maintenance of facilities | 1,536,179 | - | 4,093 | (1,532,086) |
| Student transportation | 573,947 | 990 | 200,375 | (372,582) |
| Community recreation | 1,181,378 | 1,647 | 435,678 | (744,053) |
| Food services | 745,571 | 157,632 | 458,977 | (128,962) |
| Interest on long-term liabilities | 1,493,129 | - | - | (1,493,129) |
| Total school district | <u>\$ 16,298,955</u> | <u>\$ 698,388</u> | <u>\$ 4,140,092</u> | <u>(11,460,475)</u> |
| General revenues: | | | | |
| Property taxes levied for: | | | | |
| Basic | | | | 2,365,006 |
| Board local | | | | 3,581,173 |
| Debt service | | | | 2,460,982 |
| Capital local | | | | 518,554 |
| Total property taxes | | | | <u>8,925,715</u> |
| Federal and state aid not restricted to specific purposes | | | | 2,692,676 |
| Earnings on investments | | | | 62,825 |
| Miscellaneous | | | | 325,613 |
| Total general revenues | | | | <u>12,006,829</u> |
| Change in net position | | | | 546,354 |
| Net position - beginning, as restated | | | | <u>13,329,879</u> |
| Net position - ending | | | | <u>\$ 13,876,233</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2013

| | <u>Major Funds</u> | | | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|-----------------------------|---|---|
| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | | |
| Assets: | | | | | |
| Cash and investments | \$ 3,486,432 | \$ 1,326,453 | \$ 1,919,118 | \$ 194,481 | \$ 6,926,484 |
| Cash with fiscal agent | - | 2,178,794 | - | - | 2,178,794 |
| Receivables: | | | | | |
| Property taxes | 5,373,513 | 2,269,957 | 683,998 | - | 8,327,468 |
| Other local | 62,122 | - | - | 3,063 | 65,185 |
| State of Utah | 2,814 | - | - | 37,389 | 40,203 |
| Federal government | 375,520 | - | - | 5,056 | 380,576 |
| Inventories and prepaid items | 75,562 | - | 480 | 33,856 | 109,898 |
| Due from other funds | 45,301 | - | - | - | 45,301 |
| Total assets | <u>\$ 9,421,264</u> | <u>\$ 5,775,204</u> | <u>\$ 2,603,596</u> | <u>\$ 273,845</u> | <u>\$ 18,073,909</u> |
| Liabilities: | | | | | |
| Accounts and contracts payable | \$ 23,778 | \$ - | \$ 4,434 | \$ 207 | \$ 28,419 |
| Accrued salaries and benefits | 1,382,877 | - | - | - | 1,382,877 |
| Unearned revenue: | | | | | |
| State of Utah | 158,735 | - | - | - | 158,735 |
| Due to other funds | - | - | - | 45,301 | 45,301 |
| Total liabilities | <u>1,565,390</u> | <u>-</u> | <u>4,434</u> | <u>45,508</u> | <u>1,615,332</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable property tax revenue | 304,740 | 128,730 | 38,814 | - | 472,284 |
| Property taxes levied for future year | 5,058,612 | 2,136,881 | 644,298 | - | 7,839,791 |
| Total deferred inflows of resources | <u>5,363,352</u> | <u>2,265,611</u> | <u>683,112</u> | <u>-</u> | <u>8,312,075</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories and prepaid items | 75,562 | - | 480 | 33,856 | 109,898 |
| Restricted for: | | | | | |
| Debt service | - | 3,509,593 | - | - | 3,509,593 |
| Capital projects | - | - | 1,915,570 | - | 1,915,570 |
| Other purposes | 34,469 | - | - | - | 34,469 |
| Assigned to: | | | | | |
| Programs | 124,416 | - | - | - | 124,416 |
| Students | - | - | - | 194,481 | 194,481 |
| Repairs and maintenance | 300,000 | - | - | - | 300,000 |
| Other purposes | 105,000 | - | - | - | 105,000 |
| Unassigned | 1,853,075 | - | - | - | 1,853,075 |
| Total fund balances | <u>2,492,522</u> | <u>3,509,593</u> | <u>1,916,050</u> | <u>228,337</u> | <u>8,146,502</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 9,421,264</u> | <u>\$ 5,775,204</u> | <u>\$ 2,603,596</u> | <u>\$ 273,845</u> | <u>\$ 18,073,909</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds \$ 8,146,502

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | |
|---|------------|------------|
| Land | \$ 630,772 | |
| Buildings and improvements, net of \$8,090,391 accumulated depreciation | 36,096,631 | |
| Equipment and buses, net of \$1,335,074 accumulated depreciation | 550,417 | 37,277,820 |

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. 472,284

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as in the funds. All liabilities - both current and long-term portions - are reported in the statement of net position. These and related balances at year end are:

| | | |
|---|--------------|--------------|
| General obligation bonds payable | (33,960,000) | |
| Bond premium, net of \$404,350 of accumulated amortization | (643,824) | |
| Deferred amounts on refunding, net of \$458,917 of accumulated amortization | 3,551,183 | |
| Accrued interest | (633,326) | |
| Accrued sick leave | (86,131) | |
| Early retirement obligation | (248,275) | (32,020,373) |

Total net position of governmental activities \$ 13,876,233

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

GRAND COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

| | <u>Major Funds</u> | | | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|-----------------------------|---|---|
| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Property taxes | \$ 5,889,892 | \$ 2,452,975 | \$ 513,644 | \$ - | \$ 8,856,511 |
| Earnings on investments | 22,301 | 27,245 | 12,759 | 520 | 62,825 |
| Other local revenue | 335,098 | - | - | 646,307 | 981,405 |
| State sources | 5,231,931 | - | - | 87,348 | 5,319,279 |
| Federal sources | 1,141,860 | - | - | 371,629 | 1,513,489 |
| Total revenues | <u>12,621,082</u> | <u>2,480,220</u> | <u>526,403</u> | <u>1,105,804</u> | <u>16,733,509</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 6,870,537 | - | - | 499,701 | 7,370,238 |
| Supporting services: | | | | | |
| Student | 269,685 | - | - | - | 269,685 |
| Instructional staff | 776,131 | - | - | - | 776,131 |
| General administration | 314,546 | - | - | - | 314,546 |
| School administration | 739,564 | - | - | - | 739,564 |
| Central | 537,914 | - | - | - | 537,914 |
| Operation and maintenance of facilities | 1,403,964 | - | - | - | 1,403,964 |
| Student transportation | 514,575 | - | - | - | 514,575 |
| Community recreation | 1,181,378 | - | - | - | 1,181,378 |
| Food services | - | - | - | 673,213 | 673,213 |
| Capital outlay | - | - | 801,022 | - | 801,022 |
| Debt service: | | | | | |
| Principal retirement | - | 1,500,000 | - | - | 1,500,000 |
| Interest and other charges | - | 1,232,203 | - | - | 1,232,203 |
| Total expenditures | <u>12,608,294</u> | <u>2,732,203</u> | <u>801,022</u> | <u>1,172,914</u> | <u>17,314,433</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>12,788</u> | <u>(251,983)</u> | <u>(274,619)</u> | <u>(67,110)</u> | <u>(580,924)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | 524,159 | - | - | - | 524,159 |
| Transfers out | - | - | - | (524,159) | (524,159) |
| Proceeds from sale of capital assets | - | - | 42,596 | - | 42,596 |
| Total other financing sources (uses) | <u>524,159</u> | <u>-</u> | <u>42,596</u> | <u>(524,159)</u> | <u>42,596</u> |
| Net change in fund balances | 536,947 | (251,983) | (232,023) | (591,269) | (538,328) |
| Fund balances - beginning | <u>1,955,575</u> | <u>3,761,576</u> | <u>2,148,073</u> | <u>819,606</u> | <u>8,684,830</u> |
| Fund balances - ending | <u>\$ 2,492,522</u> | <u>\$ 3,509,593</u> | <u>\$ 1,916,050</u> | <u>\$ 228,337</u> | <u>\$ 8,146,502</u> |

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

GRAND 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, 2013

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

Net change in fund balances-total governmental funds \$ (538,328)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for land, equipment and buses and \$50,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The net effect of transactions involving capital assets decreased net position in the current period.

| | | |
|--------------------------------------|--------------------|-----------|
| Capital outlays | \$ 935,463 | |
| Proceeds from sale of capital assets | (42,596) | |
| Gain on sale of capital assets | 42,596 | |
| Depreciation expense | <u>(1,200,927)</u> | (265,464) |

The issuance of bonds provides current financial resources to governmental funds, while the repayment of the principal of bonds consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | |
|---|-----------------|-----------|
| Principal repayment of general obligation bonds | 1,500,000 | |
| Amortization of bond-related accounts | (224,976) | |
| Interest expense | <u>(35,950)</u> | 1,239,074 |

Certain revenue sources are collected several months after the District's fiscal year end are not considered available revenues in the governmental funds and are, instead, counted as deferred inflows of resources at year end. They are, however, recorded as revenues in the statement of activities. 69,204

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds; long-term employee benefit obligations are reported in the governmental funds when paid.

| | | |
|--------------------|---------------|---------------|
| Accrued sick leave | 7,848 | |
| Early retirement | <u>34,020</u> | <u>41,868</u> |

Change in net position of governmental activities \$ 546,354

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

GRAND COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Property taxes | \$ 5,568,693 | \$ 5,879,730 | \$ 5,889,892 | \$ 10,162 |
| Earnings on investments | 10,365 | 21,223 | 22,301 | 1,078 |
| Other local revenue | 262,800 | 307,310 | 335,098 | 27,788 |
| State sources | 5,198,670 | 6,255,738 | 5,231,931 | (1,023,807) |
| Federal sources | 1,147,398 | 1,213,160 | 1,141,860 | (71,300) |
| Total revenues | <u>12,187,926</u> | <u>13,677,161</u> | <u>12,621,082</u> | <u>(1,056,079)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 6,920,676 | 6,844,528 | 6,870,537 | (26,009) |
| Supporting services: | | | | |
| Students | 297,223 | 280,808 | 269,685 | 11,123 |
| Instructional staff | 703,910 | 815,213 | 776,131 | 39,082 |
| General administration | 306,282 | 305,368 | 314,546 | (9,178) |
| School administration | 761,689 | 734,170 | 739,564 | (5,394) |
| Central | 580,251 | 460,115 | 537,914 | (77,799) |
| Operation and maintenance of facilities | 1,364,007 | 1,386,109 | 1,403,964 | (17,855) |
| Student transportation | 618,795 | 510,049 | 514,575 | (4,526) |
| Community recreation | 1,087,989 | 1,186,393 | 1,181,378 | 5,015 |
| Total expenditures | <u>12,640,822</u> | <u>12,522,753</u> | <u>12,608,294</u> | <u>(85,541)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (452,896) | 1,154,408 | 12,788 | (1,141,620) |
| Other financing sources (uses): | | | | |
| Transfers in | 202,161 | 524,159 | 524,159 | - |
| Net change in fund balances | (250,735) | 1,678,567 | 536,947 | (1,141,620) |
| Fund balances - beginning | <u>1,263,516</u> | <u>1,955,575</u> | <u>1,955,575</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,012,781</u> | <u>\$ 3,634,142</u> | <u>\$ 2,492,522</u> | <u>\$ (1,141,620)</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand County School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The District is not a component unit of any other primary government, and the District does not have any component units.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net position and the statement of changes in net position) display information and financial activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities are primarily financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a school building is used primarily for instruction, school administration, operation and maintenance of facilities, and food services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* and proprietary fund financial statements are reported using the economic resources

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered measurable and available only when cash is received by the District.

Budgetary data – The District operates within the budget requirements for school districts as specified by Utah state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of contractual obligations. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the current year have been included in the final budget approved by the Board, as presented in the financial statements.

GRAND COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool’s investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash with fiscal agent – Cash with fiscal agent is restricted to meet debt service requirements of general obligation bonds due on July 1, 2013.

Prepaid items – The District has made payments for services that will be consumed or utilized in a future period.

Inventories – Inventories are valued at cost or, if donated, at fair value when received, stated at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are recorded as revenue when received.

Capital assets – Capital assets, which include land, buildings and improvements, and equipment and buses, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, equipment and buses and \$50,000 for buildings and improvements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Buildings and improvements and equipment and buses of the District are depreciated using the straight-line method over the estimated useful lives as indicated in the chart below:

| Assets | Years |
|-----------------------|----------|
| Buildings | 40 to 50 |
| Building improvements | 20 |
| School buses | 10 |
| Classroom equipment | 5 |
| Other equipment | 5 to 10 |
| Vehicles | 5 |

Compensated absences – Under Board policy, the District provides employees a sick leave incentive available to all employees upon their separation from the District. The benefit is 25% of the amount of unused sick leave days accumulated using the daily rate of pay at the time of separation. The District records expenditures in the governmental funds for sick pay benefits at the time of separation. An expense and related liability are recorded in the governmental-wide financial statements as these benefits are earned.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Early retirement – The District provides an early retirement program. Eligibility is restricted to teachers and administrators with a minimum of ten years of service in the District. Benefits (covering from 3 to 6 years) are in the form of health care premiums and are based on years worked and expire when the retiree becomes eligible for Medicare. For the early retirement program, a liability and expense is recorded in the government-wide financial statements at the time the employee elects to retire early; expenditures are recorded in the governmental funds as benefits are paid by the District. The liability is paid from the fund from which the employee retires.

Deferred outflows/inflows of resources – Beginning with 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of the District's government-wide net position beginning balance (see Note 12).

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, two of which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, *unavailable property tax revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and unavailable local revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied for future year*, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2013 for the 2013-2014 school year.

Net position/fund balances – The residual of all other elements presented in a statement of net position is *net position* on the government-wide financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

GRAND COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

Net position is divided into three components: net investment in capital assets (capital assets net of related debt), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- **Nonspendable** – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to prepaid items and inventories are classified as nonspendable.
- **Restricted** – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the unspent tax revenue for specific purposes (debt service and capital projects), donations for scholarships, and amounts in other governmental funds (*food services fund*).
- **Committed** – This category includes amounts that can only be used for specific purposes established by formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District does not have any committed fund balances at the end of the year.
- **Assigned** – This category includes resources held in the *general fund* to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the business administrator to assign fund balances. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District has assigned amounts that it intends to be used for a specific purpose but are neither restricted nor committed. Also residual balances in other governmental funds are classified as assigned fund balances.
- **Unassigned** – Residual balances in the *general fund* are classified as unassigned.

Net position/fund balance flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

- **Net position** – It is the District's policy to consider restricted net position to have been depleted before unrestricted net position.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements

Continued

- Fund balance – It is the District’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2013, as shown on the financial statements is as follows:

| | |
|--------------------------------|----------------------------|
| Carrying amount of deposits | \$ 2,985,625 |
| Carrying amount of investments | <u>6,119,653</u> |
| Total | <u><u>\$ 9,105,278</u></u> |
| | |
| Cash and investments | \$ 6,926,484 |
| Cash with fiscal agent | <u>2,178,794</u> |
| Total | <u><u>\$ 9,105,278</u></u> |

The District complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – The District’s carrying amount of bank deposits at June 30, 2013 is \$2,985,625. The bank balance is \$3,207,603, of which \$500,440 is covered by federal depository insurance.

- Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2013, the uninsured amount of the District’s bank deposits was uncollateralized nor is it required by state law.

Investments – At June 30, 2013, the District has \$6,119,653 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer. The portfolio has a weighted average maturity of 74 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements

Continued

- Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper and bankers’ acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.
- Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody’s Investors Service or by Standard & Poor’s.
- Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District’s total portfolio with a single issuer.
- Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s policy for managing this risk is to comply with the Act and related rules.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the county treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

An annual uniform fee based on the value of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. Legislation requires motor vehicles be subject to an “age-based” fee that is due each time a vehicle is registered. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of June 30, 2013, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2013, or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 630,772 | \$ - | \$ - | \$ 630,772 |
| Construction in progress | <u>27,450</u> | <u>823,662</u> | <u>(851,112)</u> | <u>-</u> |
| Total capital assets, not being depreciated | 658,222 | 823,662 | (851,112) | 630,772 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 43,335,910 | 851,112 | - | 44,187,022 |
| Equipment and buses | <u>1,825,338</u> | <u>111,801</u> | <u>(51,648)</u> | <u>1,885,491</u> |
| Total capital assets, being depreciated | 45,161,248 | 962,913 | (51,648) | 46,072,513 |
| Accumulated depreciation for: | | | | |
| Buildings and improvements | (7,009,238) | (1,081,153) | - | (8,090,391) |
| Equipment and buses | <u>(1,266,948)</u> | <u>(119,774)</u> | <u>51,648</u> | <u>(1,335,074)</u> |
| Total accumulated depreciation | <u>(8,276,186)</u> | <u>(1,200,927)</u> | <u>51,648</u> | <u>(9,425,465)</u> |
| Total capital assets, being depreciated, net | <u>36,885,062</u> | <u>(238,014)</u> | <u>-</u> | <u>36,647,048</u> |
| Governmental activity capital assets, net | <u>\$ 37,543,284</u> | <u>\$ 585,648</u> | <u>\$ (851,112)</u> | <u>\$ 37,277,820</u> |

For the year ended June 30, 2013, depreciation expense was charged to functions of the District as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| Instruction | \$ 878,732 |
| Supporting services: | |
| General administration | 15,451 |
| School administration | 42,799 |
| Operation and maintenance of facilities | 132,215 |
| Student transportation | 59,372 |
| Food services | <u>72,358</u> |
| Total depreciation expense, governmental activities | <u>\$ 1,200,927</u> |

5. RETIREMENT PLANS

Defined benefit plans – The District contributes to the State and School Division cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS) and Plans (the System).

The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of *Utah Code* Title 49. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the System under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The System

GRAND COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The contribution requirements of the System are authorized by state statute and specified by the Utah State Retirement Board. The District's required contribution rates (actuarially determined) to the System for the year ended June 30, 2013 range from 6.65% to 18.76% of covered salaries.

For the years ended June 30, 2013, 2012, and 2011, the District contributed \$1,251,323, \$1,087,055, and \$1,079,971, respectively, to the System. Contributions were equal to the required contributions for each year.

Defined contribution plans – The District participates in a deferred compensation plan, under Internal Revenue Code Section 401(k), to supplement retirement benefits accrued by participants in the System. During the year ended June 30, 2013, District contributions for participating employees ranged from 1.50% to 10.00% of covered salaries based on the plan within the System.

Employees participating in the System can make additional contributions up to specified limits. For the year ended June 30, 2013, the District contributed \$107,931 and employee contributions totaled \$159,256. The 401(k) plan funds are fully vested to the participants at the time of deposit. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Plan assets are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

In addition to the defined contribution and deferred compensation plans, the District offers its employees two tax-advantaged savings plans authorized by the Internal Revenue Service Code Section 408. Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the year ended June 30, 2013 employee contributions totaled \$7,846 and \$450 to the Roth IRA and Traditional IRA, respectively. The assets of the plan are administered and held by URS and URS has the authority to amend the plan.

6. RISK MANAGEMENT

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10,000,000 per occurrence through policies administered by the Utah State Risk Management Fund. The District pays an annual premium to the Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. Settled claims have not exceeded the District's insurance coverage for any of the past three years. The District also maintains a public treasurer's fidelity bond of \$800,000 with a private carrier.

All District employees are covered for workers compensation by the Utah School Boards Risk Management Mutual Association. Unemployment insurance is covered by the District on a pay-as-you-go basis; settled claims for the past three years have been insignificant.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| General obligation bonds | \$ 35,460,000 | \$ - | \$ (1,500,000) | \$ 33,960,000 | \$ 1,545,000 |
| Bond premium | 693,049 | - | (49,225) | 643,824 | - |
| Net bonds payable | 36,153,049 | - | (1,549,225) | 34,603,824 | 1,545,000 |
| Accrued sick leave | 93,979 | 19,934 | (27,782) | 86,131 | 8,613 |
| Early retirement | 282,295 | 117,840 | (151,860) | 248,275 | 96,832 |
| Total long term liabilities | <u>\$ 36,529,323</u> | <u>\$ 137,774</u> | <u>\$ (1,728,867)</u> | <u>\$ 34,938,230</u> | <u>\$ 1,650,445</u> |

General obligation bonds – The District issues general obligation bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and procurement of school equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the taxpayers in the District. Payments on the general obligation bonds are made by the *debt service fund* from property tax revenues.

The annual requirements to service all general obligation bonds outstanding (principal and interest) as of June 30, 2013 are listed as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2014 | \$ 1,545,000 | \$ 4,165,190 | \$ 5,710,190 |
| 2015 | 1,595,000 | 1,181,165 | 2,776,165 |
| 2016 | 1,660,000 | 1,114,690 | 2,774,690 |
| 2017 | 1,730,000 | 1,037,915 | 2,767,915 |
| 2018 | 1,810,000 | 957,153 | 2,767,153 |
| 2019 - 2023 | 10,380,000 | 3,434,214 | 13,814,214 |
| 2024 - 2028 | 12,485,000 | 1,444,245 | 13,929,245 |
| 2029 | 2,755,000 | 45,458 | 2,800,458 |
| Total | <u>\$ 33,960,000</u> | <u>\$ 13,380,030</u> | <u>\$ 47,340,030</u> |

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2013 is \$64.2 million with net general obligation debt outstanding of \$34.6 million, resulting in a legal debt margin of \$29.6 million.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements

Continued

The outstanding balance of general obligation bonds payable at June 30, 2013 is comprised of individual issues as follows:

| Purpose | Interest Rates | Outstanding Amount |
|---|----------------|-----------------------|
| \$35,775,000 general obligation school building and refunding bonds issued November 12, 2008, maturing July 1, 2028 | 4.0% to 5.0% | \$ 14,590,000 |
| \$9,930,000 general obligation refunding bonds issued December 7, 2011, maturing July 1, 2028 | 1.5% to 3.3% | 9,690,000 |
| \$9,680,000 general obligation refunding bonds issued March 14, 2012, maturing July 1, 2025 | 1.5% to 3.0% | 9,680,000 |
| Total | | \$ 33,960,000 |

9. INTERFUND BALANCES AND ACTIVITY

The amounts payable of \$45,301 to the *general fund* are related to working capital advances made to the *food services fund*.

The District closed the *non K-12 programs fund* (an other governmental fund) by transferring the remaining fund balance to the *general fund*.

10. LITIGATION AND LEGAL COMPLIANCE

At certain times, claims or lawsuits are pending in which the District is involved. The District's counsel and insurance carriers estimate that the District's potential obligations resulting from such claims or litigation would not materially affect the financial statements of the District.

All funds balances are positive at June 30, 2013. Expenditures in the *general fund*, *capital projects fund*, *food services fund* (a special revenue fund reported in other governmental funds) and *student activities fund* (a special revenue fund reported in other governmental funds) exceeded budgeted amounts by \$85,541, \$1,017, \$9,608, and \$27,649, respectively, for the year ended June 30, 2013.

11. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be insignificant.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

12. RESTATEMENT

The beginning net position in the government-wide statement of net position for governmental activities has been restated to reflect the effects of implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities* (see Note 1) as follows:

| | Government-wide Financial Statements |
|---|--|
| | Governmental Activities |
| Net position, as originally stated - June 30, 2012 | \$ 13,684,998 |
| Restate bond issuance costs as expense when incurred per GASB Statement Nos. 63 and 65 | (355,119) |
| Net position, as restated - June 30, 2012 | \$ <u>13,329,879</u> |

**Combining and Individual Fund
Statements and Schedules**

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

| | <u>2013</u> | | | <u>2012</u> |
|--|---------------------------------------|---------------------------|---------------------------------------|---------------------------|
| | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> | <u>Actual Amounts</u> |
| Revenues: | | | | |
| Local sources: | | | | |
| Property taxes | \$ 5,879,730 | \$ 5,889,892 | \$ 10,162 | \$ 4,153,494 |
| Earnings on investments | 21,223 | 22,301 | 1,078 | 16,222 |
| Other local revenue | 307,310 | 335,098 | 27,788 | 963,368 |
| State sources | 6,255,738 | 5,231,931 | (1,023,807) | 5,252,583 |
| Federal sources | 1,213,160 | 1,141,860 | (71,300) | 872,046 |
| Total revenues | <u>13,677,161</u> | <u>12,621,082</u> | <u>(1,056,079)</u> | <u>11,257,713</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries | 7,284,958 | 7,281,604 | 3,354 | 6,240,163 |
| Employee benefits | 3,202,706 | 3,326,440 | (123,734) | 2,851,793 |
| Purchased services | 979,547 | 992,730 | (13,183) | 487,916 |
| Supplies | 912,359 | 868,209 | 44,150 | 889,107 |
| Property | 107,881 | 103,627 | 4,254 | 239,410 |
| Other objects | 35,302 | 35,684 | (382) | 19,305 |
| Total expenditures | <u>12,522,753</u> | <u>12,608,294</u> | <u>(85,541)</u> | <u>10,727,694</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,154,408 | 12,788 | (1,141,620) | 530,019 |
| Other financing sources: | | | | |
| Transfers in | 524,159 | 524,159 | - | - |
| Net change in fund balances | 1,678,567 | 536,947 | (1,141,620) | 530,019 |
| Fund balances - beginning | <u>1,955,575</u> | <u>1,955,575</u> | <u>-</u> | <u>1,425,556</u> |
| Fund balances - ending | <u>\$ 3,634,142</u> | <u>\$ 2,492,522</u> | <u>\$ (1,141,620)</u> | <u>\$ 1,955,575</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

| | 2013 | | | 2012 |
|--|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Revenues: | | | | |
| Property taxes | \$ 2,448,629 | \$ 2,452,975 | \$ 4,346 | \$ 3,209,994 |
| Earnings on investments | 26,711 | 27,245 | 534 | 16,613 |
| Total revenues | <u>2,475,340</u> | <u>2,480,220</u> | <u>4,880</u> | <u>3,226,607</u> |
| Expenditures: | | | | |
| Principal retirement | 1,500,000 | 1,500,000 | - | 1,210,000 |
| Interest and other charges | 1,232,203 | 1,232,203 | - | 1,699,694 |
| Total expenditures | <u>2,732,203</u> | <u>2,732,203</u> | <u>-</u> | <u>2,909,694</u> |
| Excess of revenues over expenditures | (256,863) | (251,983) | 4,880 | 316,913 |
| Other financing sources (uses): | | | | |
| Refunding bonds issued | - | - | - | 19,610,000 |
| Refunding bonds premium | - | - | - | 466,403 |
| Refunding bonds escrow payment | - | - | - | (19,930,623) |
| Total other finances sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>145,780</u> |
| Net change in fund balances | (256,863) | (251,983) | 4,880 | 462,693 |
| Fund balances - beginning | <u>3,761,576</u> | <u>3,761,576</u> | <u>-</u> | <u>3,298,883</u> |
| Fund balances - ending | <u><u>\$ 3,504,713</u></u> | <u><u>\$ 3,509,593</u></u> | <u><u>\$ 4,880</u></u> | <u><u>\$ 3,761,576</u></u> |

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

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

| | 2013 | | | 2012 |
|--|---------------------------------------|---------------------------|---------------------------------------|---------------------------|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Revenues: | | | | |
| Local sources: | | | | |
| Property taxes | \$ 512,758 | \$ 513,644 | \$ 886 | \$ 745,146 |
| Earnings on investments | 12,276 | 12,759 | 483 | 17,274 |
| Other local revenue | - | - | - | 55,836 |
| Total revenues | <u>525,034</u> | <u>526,403</u> | <u>1,369</u> | <u>818,256</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Purchased services | 619,366 | 623,802 | (4,436) | 767,193 |
| Supplies | 5,736 | - | 5,736 | - |
| Equipment | 174,903 | 177,220 | (2,317) | 632,972 |
| Total expenditures | <u>800,005</u> | <u>801,022</u> | <u>(1,017)</u> | <u>1,400,165</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(274,971)</u> | <u>(274,619)</u> | <u>352</u> | <u>(581,909)</u> |
| Other financing sources: | | | | |
| Proceeds from sale of capital assets | 42,596 | 42,596 | - | 9,018 |
| Net change in fund balances | <u>(232,375)</u> | <u>(232,023)</u> | <u>352</u> | <u>(572,891)</u> |
| Fund balances - beginning | <u>2,148,073</u> | <u>2,148,073</u> | <u>-</u> | <u>2,720,964</u> |
| Fund balances - ending | <u>\$ 1,915,698</u> | <u>\$ 1,916,050</u> | <u>\$ 352</u> | <u>\$ 2,148,073</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Special Revenue Funds | | Total Nonmajor Governmental Funds |
|-------------------------------------|------------------------------|-------------------------------|--|
| | <i>Food Services</i> | <i>Student Activities</i> | |
| Assets: | | | |
| Cash and investments | \$ - | \$ 194,481 | \$ 194,481 |
| Receivables: | | | |
| Other local | 3,063 | - | 3,063 |
| State of Utah | 37,389 | - | 37,389 |
| Federal government | 5,056 | - | 5,056 |
| Inventories | 33,856 | - | 33,856 |
| Total assets | <u>\$ 79,364</u> | <u>\$ 194,481</u> | <u>\$ 273,845</u> |
| Liabilities: | | | |
| Accounts payable | \$ 207 | \$ - | \$ 207 |
| Due to other funds | 45,301 | - | 45,301 |
| Total liabilities | <u>45,508</u> | <u>-</u> | <u>45,508</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventories | 33,856 | - | 33,856 |
| Assigned to: | | | |
| Students | - | 194,481 | 194,481 |
| Total fund balances | <u>33,856</u> | <u>194,481</u> | <u>228,337</u> |
| Total liabilities and fund balances | <u>\$ 79,364</u> | <u>\$ 194,481</u> | <u>\$ 273,845</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|--------------------------------------|------------------------------|--------------------------|-------------------------------|--|
| | <i>Non K-12 Programs</i> | <i>Food Services</i> | <i>Student Activities</i> | |
| Revenues: | | | | |
| Local sources: | | | | |
| Earnings on investments | \$ - | \$ 520 | \$ - | \$ 520 |
| Lunch sales | - | 157,632 | - | 157,632 |
| Other local revenue | - | - | 488,675 | 488,675 |
| State sources | - | 87,348 | - | 87,348 |
| Federal sources | - | 371,629 | - | 371,629 |
| Total revenues | <u>-</u> | <u>617,129</u> | <u>488,675</u> | <u>1,105,804</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | - | - | 499,701 | 499,701 |
| Food services | - | 673,213 | - | 673,213 |
| Total expenditures | <u>-</u> | <u>673,213</u> | <u>499,701</u> | <u>1,172,914</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>(56,084)</u> | <u>(11,026)</u> | <u>(67,110)</u> |
| Other financing sources: | | | | |
| Transfers out | <u>(524,159)</u> | <u>-</u> | <u>-</u> | <u>(524,159)</u> |
| Net change in fund balances | <u>(524,159)</u> | <u>(56,084)</u> | <u>(11,026)</u> | <u>(591,269)</u> |
| Fund balances - beginning | <u>524,159</u> | <u>89,940</u> | <u>205,507</u> | <u>819,606</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 33,856</u> | <u>\$ 194,481</u> | <u>\$ 228,337</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

| | <u>2013</u> | | | <u>2012</u> |
|--|---------------------------------------|---------------------------|---------------------------------------|---------------------------|
| | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> | <u>Actual Amounts</u> |
| Revenues: | | | | |
| Local sources: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 656,335 |
| Earnings on investments | - | - | - | 2,610 |
| Other local revenue | - | - | - | 164,882 |
| State sources | - | - | - | 211,594 |
| Federal sources | - | - | - | 294,916 |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,330,337</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries | - | - | - | 569,606 |
| Employee benefits | - | - | - | 162,275 |
| Purchased services | - | - | - | 132,966 |
| Supplies and property | - | - | - | 45,166 |
| Other objects | - | - | - | 41,678 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>951,691</u> |
| Excess of revenues over expenditures / | <u>-</u> | <u>-</u> | <u>-</u> | <u>378,646</u> |
| Other financing sources: | | | | |
| Transfers out | <u>(524,159)</u> | <u>(524,159)</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>(524,159)</u> | <u>(524,159)</u> | <u>-</u> | <u>378,646</u> |
| Fund balances - beginning | <u>524,159</u> | <u>524,159</u> | <u>-</u> | <u>145,513</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 524,159</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Food Services
Nonmajor Special Revenue Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

| | <u>2013</u> | | | <u>2012</u> |
|---|---------------------------------------|---------------------------|---------------------------------------|---------------------------|
| | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> | <u>Actual Amounts</u> |
| Revenues: | | | | |
| Local sources: | | | | |
| Lunch sales | \$ 154,779 | \$ 157,632 | \$ 2,853 | \$ 167,158 |
| Earnings on investments | 428 | 520 | 92 | 369 |
| State sources | 87,348 | 87,348 | - | 82,180 |
| Federal sources | <u>361,107</u> | <u>371,629</u> | <u>10,522</u> | <u>383,881</u> |
| Total revenues | <u>603,662</u> | <u>617,129</u> | <u>13,467</u> | <u>633,588</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries | 256,773 | 256,773 | - | 247,410 |
| Employee benefits | 138,336 | 138,337 | (1) | 127,098 |
| Purchased services | 3,563 | 3,853 | (290) | 2,869 |
| Food and supplies | 260,851 | 270,168 | (9,317) | 246,784 |
| Equipment | 3,641 | 3,641 | - | 4,854 |
| Other objects | 441 | 441 | - | - |
| Total expenditures | <u>663,605</u> | <u>673,213</u> | <u>(9,608)</u> | <u>629,015</u> |
| Excess of revenues over expenditures / net change in fund balances | (59,943) | (56,084) | 3,859 | 4,573 |
| Fund balances - beginning | <u>89,940</u> | <u>89,940</u> | <u>-</u> | <u>85,367</u> |
| Fund balances - ending | <u>\$ 29,997</u> | <u>\$ 33,856</u> | <u>\$ 3,859</u> | <u>\$ 89,940</u> |

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

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Student Activities
Nonmajor Special Revenue Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

| | <u>2013</u> | | | <u>2012</u> |
|---|---------------------------------------|---------------------------|---------------------------------------|---------------------------|
| | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> | <u>Actual Amounts</u> |
| Revenues: | | | | |
| Local sources: | | | | |
| Student fees | \$ 464,450 | \$ 488,675 | \$ 24,225 | \$ 450,274 |
| Expenditures: | | | | |
| Current: | | | | |
| Purchased services | 105,500 | 107,887 | (2,387) | 91,579 |
| Supplies | 330,000 | 350,907 | (20,907) | 317,250 |
| Property | 36,552 | 40,907 | (4,355) | 35,449 |
| Total expenditures | <u>472,052</u> | <u>499,701</u> | <u>(27,649)</u> | <u>444,278</u> |
| Excess of revenues over expenditures / net change in fund balances | (7,602) | (11,026) | (3,424) | 5,996 |
| Fund balances - beginning | <u>205,507</u> | <u>205,507</u> | <u>-</u> | <u>199,511</u> |
| Fund balances - ending | <u>\$ 197,905</u> | <u>\$ 194,481</u> | <u>\$ (3,424)</u> | <u>\$ 205,507</u> |

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

GRAND COUNTY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2013

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GRAND COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

| Grantor/Pass-through Grantor/Program Title | CFDA Number | USOE Pass- Through Number | District's Program Number | Receivable (Unearned) June 30, 2012 | Received | Expended | Receivable (Unearned) June 30, 2013 |
|---|----------------|------------------------------------|---------------------------------|---|--------------|--------------|---|
| U.S. DEPARTMENT OF AGRICULTURE: | | | | | | | |
| Passed through Utah State Office of Education: | | | | | | | |
| <i>Child Nutrition Cluster:</i> | | | | | | | |
| School Breakfast Program | 10.553 | 44 | 8071 | \$ - | \$ 58,287 | \$ 58,287 | \$ - |
| National School Lunch Program | 10.555 | 42 | 8071 | - | 271,183 | 276,239 | 5,056 |
| National School Lunch Program (Donated Commodities) | 10.555 | | 8071 | - | 33,189 | 33,189 | - |
| Summer Food Service Program for Children | 10.559 | 48 | 8071 | 6,709 | 10,623 | 3,914 | - |
| Passed through Grand County: | | | | | | | |
| <i>Forest Service Schools and Roads Cluster:</i> | | | | | | | |
| School and Roads - Grants to States | 10.665 | | 1050 | - | 26,232 | 26,232 | - |
| | | | | 6,709 | 399,514 | 397,861 | 5,056 |
| U.S. DEPARTMENT OF EDUCATION: | | | | | | | |
| Direct: | | | | | | | |
| Indian Education - Grants to Local Educational Agencies | 84.060 | | 7330 | - | 17,151 | 17,151 | - |
| Passed through Utah State Office of Education: | | | | | | | |
| Adult Education - Basic Grants to States | 84.002 | 33 | 7580 | 5,504 | 25,974 | 20,470 | - |
| <i>Title I, Part A Cluster:</i> | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 08 | 7511 | 148,555 | 352,453 | 338,002 | 134,104 |
| <i>Special Education Cluster (IDEA):</i> | | | | | | | |
| Special Education - Grants to States | 84.027 | 19 | 7524 | 110,938 | 297,973 | 302,837 | 115,802 |
| Special Education - Preschool Grants | 84.173 | 52 | 7522 | 19,964 | 39,868 | 33,309 | 13,405 |
| Career and Technical Education - Basic Grants to States | 84.048 | 21 | 6043 | 27,183 | 27,183 | 20,769 | 20,769 |
| Tech-Prep Education | 84.243 | 26 | 6043 | 801 | 801 | - | - |
| Twenty-First Century Community Learning Centers | 84.287 | 60 | 7910 | - | 90,168 | 131,144 | 40,976 |
| English Language Acquisition Grants | 84.365 | 73 | 7880 | 18,110 | 38,570 | 20,460 | - |
| Improving Teacher Quality State Grants | 84.367 | 74 | 7860 | 48,903 | 97,038 | 82,554 | 34,419 |
| Education Jobs Fund | 84.410 | 9N | 7669 | - | 6,802 | 6,802 | - |
| | | | | 379,958 | 993,981 | 973,498 | 359,475 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | | | | |
| Passed through Utah Department of Workforce Services: | | | | | | | |
| <i>TANF Cluster:</i> | | | | | | | |
| Temporary Assistance for Needy Families | 93.558 | | 3500 | - | 21,012 | 30,000 | 8,988 |
| Temporary Assistance for Needy Families | 93.558 | | 3501 | - | 25,829 | 31,000 | 5,171 |
| | | | | - | 46,841 | 61,000 | 14,159 |
| Total federal awards | | | | \$ 386,667 | \$ 1,440,336 | \$ 1,432,359 | \$ 378,690 |

The accompanying notes are an integral part of this schedule.

GRAND COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. General – The schedule of expenditures of federal awards presents the activity of all federal award programs of Grand County School District (the District). The District reporting entity is defined in Note 1 to the District’s basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

Note B. Basis of Accounting – The accompanying schedule of expenditures of federal awards is reported using the modified accrual basis of accounting for awards received by governmental funds as described in Note 1 to the District’s basic financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as unearned revenue until earned. Donated food commodities are recorded at fair value in the School food services fund as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption and totaled \$33,189 for the year ended June 30, 2013.

Note C. Relationship to the District’s Financial Statements – The District received Medical Assistance Program grant monies through the State of Utah Department of Health. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2013 is as follows:

| | |
|---|----------------------------|
| General fund | \$ 1,141,860 |
| Other governmental funds: | |
| Food services fund | <u>371,629</u> |
| Total governmental funds | 1,513,489 |
| Medical Assistance Program grant monies received through State of Utah Department of Health | <u>(81,130)</u> |
| Total federal revenue reported on the Schedule of Expenditures of Federal Awards | <u><u>\$ 1,432,359</u></u> |



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Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Grand County School District

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, each major fund, and the aggregate remaining fund information of Grand County School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Agui & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah
December 2, 2013



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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Education
Grand County School District

Report on Compliance for Each Major Federal Program

We have audited the compliance of Grand County School District (the District) 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 the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Grand County School District as of and for the year ended June 30, 2013, and have issued our report thereon dated December 2, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Orem, Utah
December 2, 2013

GRAND COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

No matters were reported in the prior year audit.

GRAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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 no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| | <i>Special Education Cluster (IDEA):</i> |
| 84.027 | Special Education – Grants to States |
| 84.173 | Special Education – Preschool Grants |
| 84.287 | Twenty-First Century Community Learning Centers |

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

Auditee qualified as low-risk auditee? yes no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.

GRAND COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2013

| State Grantor Agency / Program Title | Program Number | Year Last Audited | Receivable (Unearned) June 30, 2012 | Received | Expended | Receivable (Unearned) June 30, 2013 |
|--|----------------|-------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| State Awards: | | | | | | |
| State of Utah Office of Education: | | | | | | |
| Minimum School Program | | 2013 | \$ (192,287) | \$ 4,984,862 | \$ 5,021,228 | \$ (155,921) |
| Substance abuse | 5672 | n/a | - | 1,500 | 1,500 | - |
| Driver Education | 5610 | n/a | - | 13,340 | 13,340 | - |
| Federal Mineral Lease | 5616 | n/a | - | 97,514 | 97,514 | - |
| Planning and Project Services | 1609 | n/a | - | 3,520 | 3,520 | - |
| Online Technology | 5646 | n/a | - | 41,567 | 41,567 | - |
| Utah Performance Assessment System for Students (U-PASS) | 5699 | n/a | (949) | 14,070 | 15,019 | - |
| State of Utah Department of Health: | | | | | | |
| Tobacco Grant | 5606 | n/a | 22,591 | 26,758 | 4,167 | - |
| Passed through South Eastern Service Center: | | | | | | |
| Reading Specialist | 1050 | n/a | - | 34,076 | 34,076 | - |
| Total expenditures of state awards | | | <u>(193,236)</u> | <u>5,156,373</u> | <u>5,193,688</u> | <u>(155,921)</u> |
| State Matching for Federal Programs: | | | | | | |
| State of Utah Office of Education: | | | | | | |
| School Lunch Program (Liquor Control Tax) | 8070 | * | 30,126 | 80,085 | 87,348 | 37,389 |
| Total state revenue (per statement of activities) | | | <u>\$ (140,519)</u> | <u>\$ 5,297,292</u> | <u>\$ 5,319,279</u> | <u>\$ (118,532)</u> |

* Tested for compliance with *Federal Child Nutrition Cluster*.

This schedule is reported using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the District's basic financial statements.



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Independent Auditor's Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Awards in Accordance with the State of Utah Legal Compliance Audit Guide

Board of Education
Grand County School District

Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program

We have audited the compliance of Grand County School District (the District) with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

General state compliance requirements tested for the year ended June 30, 2013 are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Locally Generated Taxes and Fees
- School Fees
- Conflicts of Interest
- Nepotism

The District's state awards (passed through the State of Utah Office of Education) classified as major programs for the year ended June 30, 2013 are as follows:

Minimum School Program

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the 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 the *State of Utah Legal Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State*

of Utah Legal Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a general state compliance requirement or a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each general state compliance requirement tested and each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each General State Compliance Requirement Tested and Each Major State Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state requirements that could have a direct and material effect on each general state compliance requirement tested and each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each general state compliance requirement tested and each major state program and to test and report on internal control over compliance in accordance with the *State of Utah Legal Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 state compliance requirement 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 state compliance requirement 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 state compliance requirement 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 the *State of Utah Legal Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards in Accordance with the *State of Utah Legal Compliance Audit Guide*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated December 2, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis in accordance with the *State of Utah Legal Compliance Audit Guide* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Orem, Utah
December 2, 2013



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Letter to Management

Board of Education
Grand County School District

In planning and performing our audit of the basic financial statements of Grand County School District (the District) as of and for the year ended June 30, 2013, 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*, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated December 2, 2013, on the financial statements of the District. This letter accompanies our reports dated December 2, 2013, in accordance with *Government Auditing Standards*, OMB Circular A-133, and the *State of Utah Legal Compliance Audit Guide*.

Certain Other Matters

Individual School Accounting – We visited one school in the District this year. We focus on areas of financial accounting and membership accounting during our visits. Certain minor exceptions with established District policies and procedures were noted. We discussed these exceptions with school personnel at the completion of each visit. We have also reported our findings to District management. We encourage continued training of those involved in the accounting function at the schools.

Reconciliation of Account Balances – The District implemented a new accounting system during the current fiscal year. The implementation required the establishment of several payroll account coding definitions that were different from what had been used in the previous accounting system. As payments were recorded during the year, the previously established account coding was used and the old accounts were offset as a result. This was not discovered and corrected until later when the payroll balance sheet accounts were being reconciled. We recommend that the District establish a process to ensure payroll balance sheet accounts are reconciled frequently.

Management's Response – We appreciate your recommendations. We will review these items and make changes as necessary.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control and compliance, or result in other operating efficiencies.

We appreciated working with and the assistance and responsiveness of District personnel during the audit. We also note management's ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process. We are available to discuss these matters with you as needed.

This communication is intended solely for the information and use of the Board of Education and management of Grand County School District and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

Orem, Utah
December 2, 2013