

GRAND COUNTY SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2010

GRAND COUNTY SCHOOL DISTRICT

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Year Ended June 30, 2010

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Independent Auditor's Report

Board of Education
Grand County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Grand County School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate discretely presented component units and remaining fund information of the District as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 financial 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 financial statements

and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Agui & Company, P.C

November 30, 2010

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 ending June 30, 2010.

Financial Highlights

- The District is dependent on revenues generated by property taxes and state and federal funding. Property tax revenues increased by \$0.6 million in 2010 as a result of changes in tax rates, growth in taxable property, and growth in value of taxable property.
- The District's assets exceeded liabilities by \$8.6 million at the close of the most recent fiscal year.
- During the year, expenses were \$2.5 million less than the \$17.6 million generated in taxes and other revenues for governmental activities.
- District student enrollment increased by 28 students to a total of 1,526 students as of October 1, 2009.
- The District continues to improve buildings for enrolled students and to provide housing for the various programs throughout the District. During 2010, construction of a new elementary school and the Grand County Vocational School continued at an estimated cost of \$20.7 and \$7.0 million, respectively, of which \$24.0 million was completed at June 30, 2010. The new buildings are financed through the issuance of general obligation school building bonds issued in November 2008.

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 supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets of the District changed during the most recent fiscal year. All changes in net assets 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 unpaid employee benefits).

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

- **Governmental activities.** All of the District's basic services are included here, such as instruction, various supporting services, food services, non K-12 programs, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.

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 form of *combining and individual statements and schedules* elsewhere in 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 28 of this report.

Additional information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 29 through 36 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8.6 million at the close of the most recent fiscal year.

GRAND COUNTY SCHOOL DISTRICT'S Net Assets June 30, 2010 and 2009 (in millions of dollars)

	Governmental activities		Total
	2010	2009	change 2010-2009
Current and other assets	\$ 23.3	\$ 40.3	\$ (17.0)
Capital assets	33.1	13.0	20.1
Total assets	<u>56.4</u>	<u>53.3</u>	<u>3.1</u>
Current and other liabilities	12.5	10.1	2.4
Long-term liabilities outstanding	35.3	37.1	(1.8)
Total liabilities	<u>47.8</u>	<u>47.2</u>	<u>0.6</u>
Net assets:			
Invested in capital assets, net of related debt	5.3	5.5	(0.2)
Restricted	3.1	2.0	1.1
Unrestricted	0.2	(1.4)	1.6
Total net assets	<u>\$ 8.6</u>	<u>\$ 6.1</u>	<u>\$ 2.5</u>

- The largest portion of the District's net assets (\$5.3 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, net of unspent bond proceeds. 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 assets (\$3.1 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.
- The remaining balance of *unrestricted net assets* (\$0.2 million) may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.
- Restricted net assets increased by \$1.1 million during the year ended June 30, 2010. This increase resulted primarily from an increase in the amount restricted for capital projects and debt service.

The District's net assets increased by \$2.5 million during the current year from activities. The following discussion and analysis on governmental activities focuses on this increase:

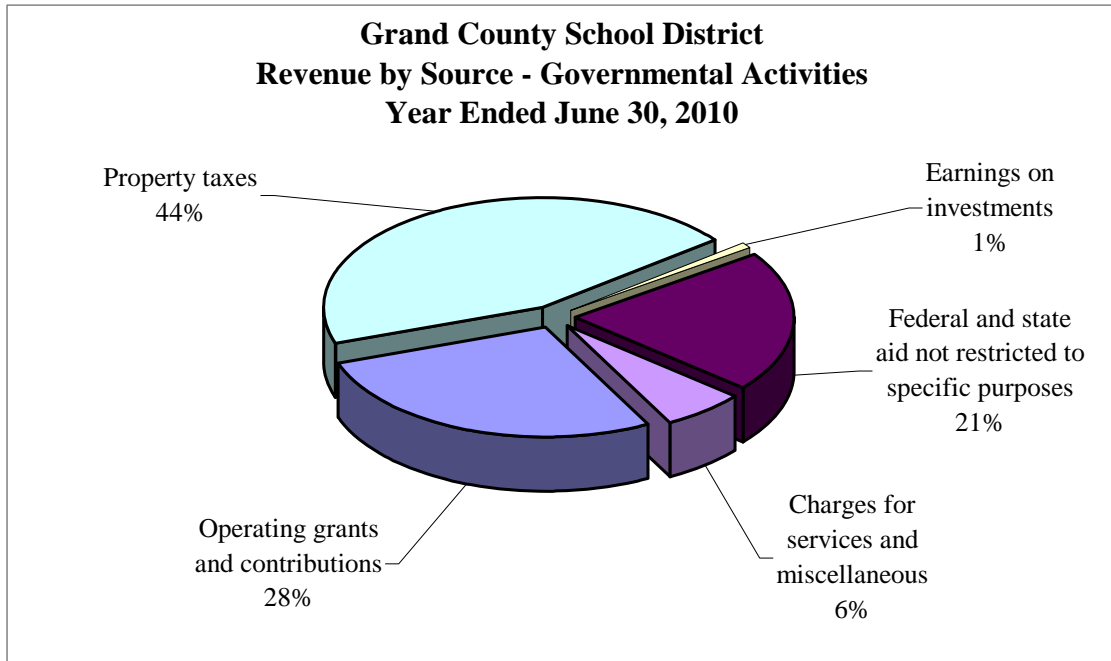
Governmental activities. The key elements of the increase of the District's net assets for the year ended June 30, 2010 are as follows:

GRAND COUNTY SCHOOL DISTRICT'S Changes in Net Assets
Year Ended June 30, 2010
(in millions of dollars)

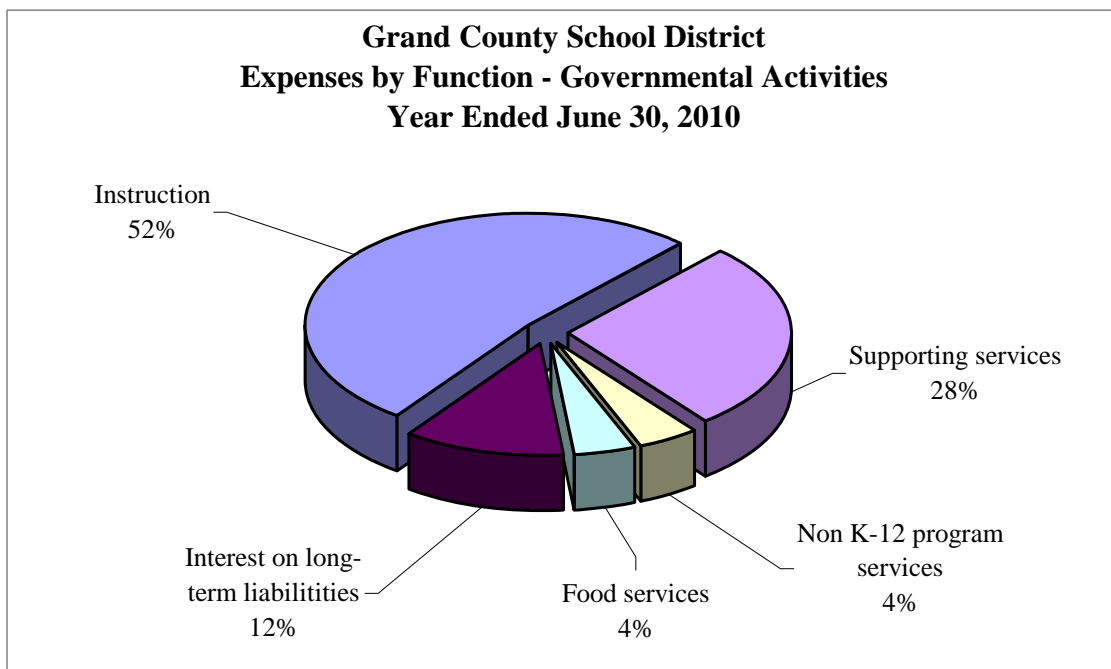
	Governmental activities		Total
	2010	2009	change 2010-2009
Revenues:			
Program revenues:			
Charges for services	\$ 0.9	\$ 0.9	\$ -
Operating grants and contributions	4.8	5.0	(0.2)
General revenues:			
Property taxes	7.9	7.3	0.6
Federal and state aid not restricted to specific purposes	3.6	3.7	(0.1)
Earnings on investments	0.2	0.4	(0.2)
Miscellaneous	0.2	0.1	0.1
Total revenues	<u>17.6</u>	<u>17.4</u>	<u>0.2</u>
Expenses:			
Instructional services	7.7	8.2	(0.5)
Supporting services:			
Students	0.3	0.4	(0.1)
Instructional staff	0.5	0.6	(0.1)
General administration	0.3	0.4	(0.1)
School administration	0.6	0.6	-
Central	0.6	0.4	0.2
Operation and maintenance of facilities	1.6	1.4	0.2
Student transportation	0.5	0.5	-
Non K-12 programs	0.7	0.7	-
Food services	0.6	0.7	(0.1)
Interest on long-term liabilities	1.7	1.2	0.5
Total expenses	<u>15.1</u>	<u>15.1</u>	<u>0.0</u>
Increase in net assets	2.5	2.3	0.2
Net assets - beginning	<u>6.1</u>	<u>3.8</u>	<u>2.3</u>
Net assets - ending	<u>\$ 8.6</u>	<u>\$ 6.1</u>	<u>\$ 2.5</u>

- The largest net dollar increase in revenues is property taxes. Property tax revenues increased by \$0.6 million in 2010 as a result of changes in tax rates, growth in taxable property, and growth in value of taxable property.

- 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 of \$2,577 remained unchanged during the years ended June 30, 2010 and 2009. State revenue decreased by \$0.3 million. This decrease was primarily from state funding cuts that occurred during 2010.



- Instructional services represent the largest dollar portion of expense of \$7.7 million primarily for teacher salaries and related benefits.



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 \$12.2 million, \$18.3 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 the capital projects fund of \$19.5 million, primarily due to the expenditure of bond proceeds restricted for capital outlay. Bond principal and interest payments are due July 1 and January 1 of each year; cash with fiscal agent of \$2.0 million at June 30, 2010 was disbursed on July 1, 2010. This year's change also includes an increase in the fund balance of the general fund of \$1.3 million. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$10.8 million, a decrease of about 0.4% compared to the prior year. Instructional services represent 62.8% of *general fund* expenditures.
- General fund salaries totaled \$6.7 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$2.9 million to arrive at 89.0% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. Unreserved, undesignated balances in the *general fund* are required by state law to be appropriated in the following year's budget. Fund balances of *debt service*, *capital projects*, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

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 an increase of \$0.7 million in total *general fund* expenditures. During the year, final budgeted revenues decreased by \$0.6 million to reflect cuts in state funding and anticipated increases in property taxes.

Even with these adjustments, actual expenditures were \$0.6 million less 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 capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. At June 30, 2010, the District continued construction of two buildings: a new elementary school and Grand County Vocational School at an anticipated total cost of \$20.7 million and \$7.0 million, respectively, of which \$24.0 million was complete at that date.

Capital assets at June 30, 2010 and 2009 are outlined below:

GRAND COUNTY SCHOOL DISTRICT'S Capital Assets
June 30, 2010 and 2009
(net of accumulated depreciation, in millions of dollars)

	Governmental activities		Total
	2010	2009	change 2010-2009
Land	\$ 0.6	\$ 0.6	\$ -
Construction in progress	24.9	4.4	20.5
Buildings and improvements	7.2	7.6	(0.4)
Equipment and buses	0.4	0.4	-
Total capital assets	<u>\$ 33.1</u>	<u>\$ 13.0</u>	<u>\$ 20.1</u>

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

Debt Administration. 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, 2010 is about \$48.8 million. Net general obligation debt at June 30, 2010 is \$34.6 million, resulting in a legal debt margin of about \$14.2 million.

GRAND COUNTY SCHOOL DISTRICT'S Outstanding Debt
June 30, 2010 and 2009
(in millions of dollars)

	Governmental activities		Total
	2010	2009	change 2010-2009
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.

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 constant. The following enrollment information is based on the annual October 1 count:

GRAND COUNTY SCHOOL DISTRICT'S Enrollment October 1 Count

<u>School Year</u>	<u>Enrollment</u>	<u>Change</u>
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%
2003-04	1,474	1.3%
2002-03	1,455	-2.6%
2001-02	1,494	

Requests for Information

This financial report is designed to provide a general overview of the Grand County School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the business administrator at Grand County School District, 264 South 400 East, Moab, UT 84532.

BASIC FINANCIAL STATEMENTS

GRAND COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets:	
Cash and investments	\$ 15,686,710
Receivables:	
Property taxes	6,989,265
Other local	9,521
State of Utah	40,567
Federal government	336,071
Inventories	49,627
Bond issuance costs, nets of accumulated amortization	228,812
Capital assets:	
Land and construction in progress	25,485,043
Other capital assets, net of accumulated depreciation	7,567,337
Total assets	56,392,953
Liabilities:	
Accounts and contracts payable	3,410,417
Accrued interest	852,516
Accrued salaries and benefits	1,503,586
Unearned revenue:	
Property taxes	6,531,886
Other local	35,636
State of Utah	76,755
Federal government	6,197
Long-term liabilities:	
Portion due or payable within one year	1,445,036
Portion due or payable after one year	33,891,159
Total liabilities	47,753,188
Net Assets:	
Invested in capital assets, net of related debt	5,264,805
Restricted for:	
Debt service	1,017,046
Capital projects	1,789,512
Non K-12 programs	82,901
Food services	74,633
Student activities	168,306
Other purposes	68,622
Unrestricted	173,940
Total net assets	\$ 8,639,765

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, 2010

Activities / Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	\$ 7,742,540	\$ 630,083	\$ 3,427,728	\$ (3,684,729)
Supporting services:				
Students	315,207	-	40,994	(274,213)
Instructional staff	515,297	-	98,904	(416,393)
General administration	324,113	-	430	(323,683)
School administration	641,734	-	23,650	(618,084)
Central	601,645	-	5,281	(596,364)
Operation and maintenance of facilities	1,226,523	6,703	2,532	(1,217,288)
Student transportation	498,872	7,239	248,441	(243,192)
Non K-12 programs	668,176	20,048	491,934	(156,194)
Food services	647,259	194,527	461,113	8,381
Interest on long-term liabilities	1,742,886	-	-	(1,742,886)
Total school district	<u>\$ 14,924,252</u>	<u>\$ 858,600</u>	<u>\$ 4,801,006</u>	<u>(9,264,646)</u>
General revenues:				
Property taxes levied for:				
Basic state supported program for K-12 instruction				1,802,039
School board leeway program for class size reduction				300,549
School board leeway program for improvement of reading skills				103,117
Student transportation				196,174
Tort liability				51,559
Community recreation				280,429
Debt service of general obligation bonds				3,283,406
Capital outlay for buildings and other capital needs				1,114,170
Ten percent additional basic program for capital assets, textbooks, and supplies				660,202
Federal and state aid not restricted to specific purposes				3,622,643
Earnings on investments				153,786
Miscellaneous				225,150
Total general revenues				<u>11,793,224</u>
Change in net assets				2,528,578
Net assets - beginning				<u>6,111,187</u>
Net assets - ending				<u>\$ 8,639,765</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, 2010

	<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	\$ 2,039,853	\$ 825,994	\$ 10,605,755	\$ 197,302	\$ 13,668,904
Cash with fiscal agent	-	2,017,806	-	-	2,017,806
Receivables:					
Property taxes	2,034,301	3,005,961	1,683,691	265,312	6,989,265
Other local	9,521	-	-	-	9,521
State of Utah	1,774	-	-	38,793	40,567
Federal government	243,959	-	-	92,112	336,071
Due from other funds	29,200	-	-	-	29,200
Inventories	24,466	-	-	25,161	49,627
Total assets	<u>\$ 4,383,074</u>	<u>\$ 5,849,761</u>	<u>\$ 12,289,446</u>	<u>\$ 618,680</u>	<u>\$ 23,140,961</u>
Liabilities and fund balances:					
Liabilities:					
Accounts and contracts payable	\$ 41,993	\$ -	\$ 2,244,206	\$ 2,125	\$ 2,288,324
Accrued salaries and benefits	1,503,586	-	-	-	1,503,586
Due to other funds	-	-	-	29,200	29,200
Deferred revenue:					
Property taxes	2,023,257	2,991,440	1,675,704	264,050	6,954,451
Other local	35,636	-	-	-	35,636
State of Utah	70,165	-	-	6,590	76,755
Federal government	-	-	-	6,197	6,197
Total liabilities	<u>3,674,637</u>	<u>2,991,440</u>	<u>3,919,910</u>	<u>308,162</u>	<u>10,887,952</u>
Fund balances:					
Reserved for:					
Construction commitments	-	-	3,725,969	-	3,725,969
Inventories	24,466	-	-	25,161	49,627
Special transportation	26,372	-	-	-	26,372
Tort liability	13,050	-	-	-	13,050
Scholarships	29,200	-	-	-	29,200
Unreserved, undesignated	615,349	2,858,321	4,643,567	285,357	8,402,594
Total fund balances	<u>708,437</u>	<u>2,858,321</u>	<u>8,369,536</u>	<u>310,518</u>	<u>12,246,812</u>
Total liabilities and fund balances	<u>\$ 4,383,074</u>	<u>\$ 5,849,761</u>	<u>\$ 12,289,446</u>	<u>\$ 618,680</u>	<u>\$ 23,134,764</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 Assets
June 30, 2010

Total fund balances for governmental funds \$ 12,246,812

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds (see Note 4). Those assets consist of:

Land	\$ 630,947	
Construction in progress	24,854,096	
Buildings and improvements, net of \$7,104,398 accumulated depreciation	7,162,503	
Equipment and buses, net of \$1,328,720 accumulated depreciation	404,834	33,052,380

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 revenue in the funds. 422,565

Bond issuance costs are reported as expenditures in the governmental funds. These costs are reported net of \$21,186 of accumulated amortization on the statement of net assets. 228,812

Unmatured obligations (retentions payable) are not payable from expendable available resources and therefore not reported as fund liabilities. These obligations are reported in the statement of net assets. (1,122,093)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is: (852,516)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets (see Note 7). Balances at year-end

General obligation bonds payable	(34,130,000)	
Bond premium, net of \$49,303 of accumulated amortization	(532,469)	
Deferred amounts on refunding, net of \$22,595 of accumulated amortization	75,315	
Accrued sick leave	(108,796)	
Early retirement obligation	(431,526)	
Long-term disability obligation	(59,605)	
Capital lease obligation	(149,114)	(35,336,195)

Total net assets of governmental activities \$ 8,639,765

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, 2010

	<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	\$ 2,438,824	\$ 3,223,401	\$ 1,755,724	\$ 279,034	\$ 7,696,983
Earnings on investments	9,723	6,770	136,700	593	153,786
Other local revenue	369,459	-	-	715,682	1,085,141
State sources	5,678,458	-	178,271	279,156	6,135,885
Federal sources	1,613,873	-	-	673,891	2,287,764
Total revenues	<u>10,110,337</u>	<u>3,230,171</u>	<u>2,070,695</u>	<u>1,948,356</u>	<u>17,359,559</u>
Expenditures:					
Current:					
Instruction	6,801,314	-	-	521,084	7,322,398
Supporting services:					
Student	315,207	-	-	-	315,207
Instructional staff	515,297	-	-	-	515,297
General administration	298,187	-	-	-	298,187
School administration	625,737	-	-	-	625,737
Central	601,645	-	-	-	601,645
Operation and maintenance of facilities	1,184,233	-	-	-	1,184,233
Student transportation	459,222	-	-	-	459,222
Non K-12 programs	-	-	-	668,176	668,176
Food services	-	-	-	618,836	618,836
Capital outlay	-	-	19,559,423	-	19,559,423
Debt service:					
Principal retirement	-	1,645,000	122,336	-	1,767,336
Interest and fiscal charges	26,400	1,739,600	11,884	-	1,777,884
Total expenditures	<u>10,827,242</u>	<u>3,384,600</u>	<u>19,693,643</u>	<u>1,808,096</u>	<u>35,713,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(716,905)</u>	<u>(154,429)</u>	<u>(17,622,948)</u>	<u>140,260</u>	<u>(18,354,022)</u>
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	32,590	-	32,590
Transfers	2,025,726	-	(1,925,726)	(100,000)	-
Total other financing sources (uses)	<u>2,025,726</u>	<u>-</u>	<u>(1,893,136)</u>	<u>(100,000)</u>	<u>32,590</u>
Net change in fund balances	1,308,821	(154,429)	(19,516,084)	40,260	(18,321,432)
Fund balances - beginning	<u>(600,384)</u>	<u>3,012,750</u>	<u>27,885,620</u>	<u>270,258</u>	<u>30,568,244</u>
Fund balances - ending	<u>\$ 708,437</u>	<u>\$ 2,858,321</u>	<u>\$ 8,369,536</u>	<u>\$ 310,518</u>	<u>\$ 12,246,812</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, 2010

Net change in fund balances-total governmental funds \$ (18,321,432)

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

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 19,447,232	
Proceeds from sale of capital assets	(32,590)	
Gain on sale of capital assets	(1,391)	
Depreciation expense	(448,332)	18,964,919

The governmental funds report debt proceeds as financing sources, while repayment of principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and 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. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds, capital lease obligations, and related items is as follows:

Principal repayment of general obligation bonds	1,645,000	
Principal repayment of capital lease obligation	122,336	
Amortization of bond-related accounts	1,808	
Interest expense	33,190	1,802,334

Property taxes that 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 revenues at year end. They are, however, recorded as revenues in the statement of activities. Delinquent property taxes receivable increased this year.

94,662

In the statement of activities, certain operating expenses - employee benefits to be paid in future periods - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued sick leave decreased by \$2,035, early retirement liability increased by \$69,442, and long-term disability obligation decreased by \$55,502.

(11,905)

Change in net assets of governmental activities

\$ 2,528,578

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources:				
Property taxes	\$ 2,076,840	\$ 2,387,593	\$ 2,438,824	\$ 51,231
Earnings on investments	36,175	6,766	9,723	2,957
Other local revenue	403,639	355,041	369,459	14,418
State sources	6,423,959	5,633,241	5,678,458	45,217
Federal sources	1,775,889	1,724,855	1,613,873	(110,982)
Total revenues	<u>10,716,502</u>	<u>10,107,496</u>	<u>10,110,337</u>	<u>2,841</u>
Expenditures:				
Current:				
Instruction	7,447,824	7,102,539	6,801,314	301,225
Supporting services:				
Student	381,683	323,500	315,207	8,293
Instructional staff	189,658	535,017	515,297	19,720
General administration	400,003	315,363	298,187	17,176
School administration	607,561	623,509	625,737	(2,228)
Central	382,136	609,411	601,645	7,766
Operation and maintenance of facilities	768,244	1,243,782	1,184,233	59,549
Student transportation	502,190	606,333	459,222	147,111
Debt service:				
Interest and fiscal charges	-	26,400	26,400	-
Total expenditures	<u>10,679,299</u>	<u>11,385,854</u>	<u>10,827,242</u>	<u>558,612</u>
Excess (deficiency) of revenues over (under) expenditures	37,203	(1,278,358)	(716,905)	561,453
Other financing sources (uses):				
Transfers	-	1,975,726	2,025,726	50,000
Net change in fund balances	37,203	697,368	1,308,821	611,453
Fund balances - beginning	<u>333,973</u>	<u>(600,384)</u>	<u>(600,384)</u>	<u>-</u>
Fund balances - ending	<u>\$ 371,176</u>	<u>\$ 96,984</u>	<u>\$ 708,437</u>	<u>\$ 611,453</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 assets and the statement of changes in net assets) 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 generally are 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 and fiduciary fund financial statements* are reported using the economic resources measurement focus. The

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

government-wide financial statements 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. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, sick leave, early retirement, long-term disability, and capital leases, 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.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 those indicated as a fund balance reserve. 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.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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.

Interfund Accounts – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds.”

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, construction in progress, 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.

GRAND COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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 assets. Bond premiums and discounts, as well as issuance and refunding costs, 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 and refunding costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance and refunding costs, 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. Issuance and refunding costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose.

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2010, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 2,738,033
Carrying amount of investments	12,948,677
Total	<u>\$ 15,686,710</u>
Cash and investments	\$ 13,668,904
Cash with fiscal agent	2,017,806
Total	<u>\$ 15,686,710</u>

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (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, US Treasury obligations, US 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 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.

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.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Deposits – The District’s carrying amount of bank deposits at June 30, 2010 is \$2,738,033. The bank balance is \$2,879,878, of which \$500,000 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, 2010, the uninsured amount of the District’s bank deposits was uncollateralized.

Investments – At June 30, 2010, the District has \$12,948,677 invested with the PTIF. The PTIF is not rated and has an average maturity of less than one year.

- 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. The District has no investment policy that would further limit its investment choices.
- 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. The District places no other limits on the amount it may invest in any one 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. The District places no other limit on the amount of investments to be held by counterparties.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Grand 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 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.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

An annual uniform fee based on the age of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles that is due each time a vehicle is registered. Revenue 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, 2010, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2010 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. The property taxes receivable and property tax deferred revenue accounts in the governmental funds at June 30, 2010 are summarized as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
Property taxes - receivable:					
Levied for current and prior years - collected during July and August 2010	\$ 11,044	\$ 14,521	\$ 7,987	\$ 1,262	\$ 34,814
Levied for current and prior years (delinquent)	122,937	181,765	101,819	16,044	422,565
Levied for future year	1,900,320	2,809,675	1,573,885	248,006	6,531,886
	<u>\$ 2,034,301</u>	<u>\$ 3,005,961</u>	<u>\$ 1,683,691</u>	<u>\$ 265,312</u>	<u>\$ 6,989,265</u>
Property taxes - deferred revenue:					
Levied for future year	\$ 1,900,320	\$ 2,809,675	\$ 1,573,885	\$ 248,006	\$ 6,531,886
Levied for current and prior years (delinquent)	122,937	181,765	101,819	16,044	422,565
Deferred property tax revenue - governmental funds, balance sheet	<u>\$ 2,023,257</u>	<u>\$ 2,991,440</u>	<u>\$ 1,675,704</u>	<u>\$ 264,050</u>	<u>\$ 6,954,451</u>

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 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	\$ 630,947	\$ -	\$ -	\$ 630,947
Construction in progress	4,395,312	20,458,784	-	24,854,096
Total capital assets, not being depreciated	5,026,259	20,458,784	-	25,485,043
Capital assets, being depreciated:				
Buildings and improvements	14,320,037	-	(53,136)	14,266,901
Equipment and buses	1,623,013	110,541	-	1,733,554
Total capital assets, being depreciated	15,943,050	110,541	(53,136)	16,000,455
Accumulated depreciation for:				
Buildings and improvements	(6,776,544)	(347,009)	19,155	(7,104,398)
Equipment and buses	(1,227,397)	(101,323)	-	(1,328,720)
Total accumulated depreciation	(8,003,941)	(448,332)	19,155	(8,433,118)
Total capital assets, being depreciated, net	7,939,109	(337,791)	(33,981)	7,567,337
Governmental activity capital assets, net	<u>\$ 12,965,368</u>	<u>\$ 20,120,993</u>	<u>\$ (33,981)</u>	<u>\$ 33,052,380</u>

For the year ended June 30, 2010, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 296,046
Supporting services:	
General administration	25,926
School administration	15,997
Operation and maintenance of facilities	42,290
Student transportation	39,650
Food services	28,423
Total depreciation expense, governmental activities	<u>\$ 448,332</u>

The District is obligated at June 30, 2010 under the following construction commitments:

<u>Project</u>	<u>Authorized</u>	<u>Costs to Date</u>	<u>Costs to Complete</u>
New Elementary School	\$ 20,714,104	\$ 17,360,502	\$ 3,353,602
Grand County Vocational School	7,045,820	6,673,453	372,367
Other Projects	820,141	820,141	-
Totals	<u>\$ 28,580,065</u>	<u>\$ 24,854,096</u>	<u>\$ 3,725,969</u>

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The commitments will be financed from a reservation of the *capital projects fund* balance, which includes unspent bond proceeds.

5. RETIREMENT PLANS

The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System which are cost-sharing multiple-employer defined benefit pension plans administered by Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (5.00% paid by the District for the employee) and the District is required to contribute 9.73% of their annual covered salary. In the State and School Noncontributory Retirement System, the District is required to contribute 14.22% of their annual covered salary. The District contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2010, 2009, and 2008 were \$2,521, \$2,569, and \$2,540, respectively, and for the State and School Noncontributory Retirement System the contributions for the years ended June 30, 2010, 2009, and 2008 were \$1,000,520, \$1,013,911, and \$972,623, respectively. Employee contributions to the State and School Contributory Retirement System for the years ended June 30, 2010, 2009, and 2008 were \$171, \$174, and \$172, respectively. The contributions were equal to the required contributions for each year.

The District participates in a deferred compensation plan – under Internal Revenue Code Section 401(k) – to supplement retirement benefits accrued by participants in the Systems. Employees covered by the noncontributory plan have a contribution of 1.5% of salary automatically made by the District. During the years ended June 30, 2010, 2009, and 2008, employer contributions were \$110,134, \$110,335, and \$102,599, respectively. Employees, who are participants in the Systems, can make additional contributions to the 401(k) plan. These employee contributions were \$197,013, \$189,841, and \$204,432 for the same periods. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are held by the Systems.

The District also offers its employees a Roth IRA plan. Employee contributions to the plan totaled \$2,766, \$3,955, and \$1,200, for the years ended June 30, 2010, 2009, and 2008, respectively. Plan assets are held by the Systems.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements

Continued

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 \$600,000 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.

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 35,775,000	\$ -	\$ (1,645,000)	\$ 34,130,000	\$ 1,165,000
Bond premium	562,051	-	(29,582)	532,469	-
Deferred amounts on refunding	(90,378)	-	15,063	(75,315)	-
Net bonds payable	36,246,673	-	(1,659,519)	34,587,154	1,165,000
Accrued sick leave	110,831	11,630	(13,665)	108,796	10,880
Early retirement	362,084	279,083	(209,641)	431,526	118,076
Long-term disability	115,107	-	(55,502)	59,605	21,840
Capital lease obligation	271,450	-	(122,336)	149,114	129,240
Total long term liabilities	<u>\$ 37,106,145</u>	<u>\$ 290,713</u>	<u>\$ (2,060,663)</u>	<u>\$ 35,336,195</u>	<u>\$ 1,445,036</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 taxes.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The annual requirements to service all general obligation bonds outstanding (principal and interest) as of June 30, 2010 are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,165,000	\$ 1,682,313	\$ 2,847,313
2012	1,210,000	1,634,813	2,844,813
2013	1,260,000	1,585,412	2,845,412
2014	1,310,000	1,534,012	2,844,012
2015	1,360,000	1,480,612	2,840,612
2016 - 2020	7,820,000	6,327,812	14,147,812
2021 - 2025	9,980,000	4,103,225	14,083,225
2026 - 2029	10,025,000	1,166,632	11,191,632
Total	<u>\$ 34,130,000</u>	<u>\$ 19,514,831</u>	<u>\$ 53,644,831</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, 2010 is \$48,843,529 with net general obligation debt outstanding of \$34,587,154, resulting in a legal debt margin of about \$14,256,375.

The outstanding balance of general obligation school building bonds payable at June 30, 2010 is comprised of the individual issue 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	4.00% to 5.75%	<u>\$ 34,130,000</u>

Tax Anticipation Notes – In November 2009, the District issued \$1,600,000 of tax anticipation notes. The notes were issued at an interest rate of 2.0% and were paid on the maturity date of February 1, 2010.

Early Retirement and Long-Term Disability Liabilities – 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. The District also provides health-care benefits to four former employees who became disabled while employed at the District; the liability for long-term disability is based on expected future payments. For these programs, a liability and expense is recorded in the government-wide financial statements at the time the employee elects to retire early or becomes eligible for disability benefits; expenditures are recorded in the governmental funds as benefits are paid by the District.

Capital Leases – During the year ended June 30, 2008, the District purchased \$499,139 of capital equipment through capital leasing arrangements in the *capital projects fund*. The capital equipment, consisting of computers, is used throughout the District to enhance learning and the learning environment. Lease payments for the year ended June 30, 2010 totaled \$134,220.

GRAND COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

At June 30, 2010, the District has \$149,114 in outstanding capital leases. Future minimum lease obligations relating to the computer leases are as follows:

Year Ending June 30,	
2011	\$ 134,219
2012	19,965
Total minimum lease payments	154,184
Amount representing interest	(5,070)
Present value of minimum lease payments	\$ 149,114

8. INTERFUND BALANCES AND ACTIVITY

The District transferred \$1,925,726 from the *capital project fund* and \$100,000 from the *non K-12 programs fund* to the *general fund* as allowed for financially distressed districts under Utah Code 53A-19-105.

As a result of being a financially distressed district, the District reclassified restricted net assets to unrestricted net assets within the *general fund* during the year ended June 30, 2010 as follows:

\$ 18,000	Tort liability levy
180,000	Special transportation levy
13,853	K-3 reading
14,872	Class size reduction

The *general fund* has \$29,200 due from other governmental funds at June 30, 2010.

9. 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, 2010. Expenditures in the *student activities fund* (a special revenue fund reported in other governmental funds) exceeded budgeted amounts by \$362,991 for the year ended June 30, 2010.

10. 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 is 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.

**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, 2010

With Comparative Totals for 2009

	<u>2010</u>			<u>2009</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	\$ 2,387,593	\$ 2,438,824	\$ 51,231	\$ 2,110,952
Earnings on investments	6,766	9,723	2,957	63,136
Other local revenue	355,041	369,459	14,418	141,712
State sources	5,633,241	5,678,458	45,217	5,956,936
Federal sources	1,724,855	1,613,873	(110,982)	1,792,792
Total revenues	<u>10,107,496</u>	<u>10,110,337</u>	<u>2,841</u>	<u>10,065,528</u>
Expenditures:				
Current:				
Instruction	7,102,539	6,801,314	301,225	7,194,882
Supporting services:				
Student	323,500	315,207	8,293	380,263
Instructional staff	535,017	515,297	19,720	479,477
General administration	315,363	298,187	17,176	357,953
School administration	623,509	625,737	(2,228)	607,222
Central	609,411	601,645	7,766	395,368
Operation and maintenance of facilities	1,243,782	1,184,233	59,549	934,024
Student transportation	606,333	459,222	147,111	489,851
Debt service:				
Interest and fiscal charges	26,400	26,400	-	33,922
Total expenditures	<u>11,385,854</u>	<u>10,827,242</u>	<u>558,612</u>	<u>10,872,962</u>
Excess (deficiency) of revenues over (under) expenditures	(1,278,358)	(716,905)	561,453	(807,434)
Other financing sources (uses):				
Sale of capital assets	-	-	-	2,033
Transfers	1,975,726	2,025,726	50,000	-
Total other financing sources (uses)	<u>1,975,726</u>	<u>2,025,726</u>	<u>50,000</u>	<u>2,033</u>
Net change in fund balances	697,368	1,308,821	611,453	(805,401)
Fund balances - beginning	<u>(600,384)</u>	<u>(600,384)</u>	<u>-</u>	<u>205,017</u>
Fund balances - ending	<u>\$ 96,984</u>	<u>\$ 708,437</u>	<u>\$ 611,453</u>	<u>\$ (600,384)</u>

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2010
With Comparative Totals for 2009

	2010			2009
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 3,091,550	\$ 3,223,401	\$ 131,851	\$ 3,123,014
Earnings on investments	2,848	6,770	3,922	8,250
Total revenues	<u>3,094,398</u>	<u>3,230,171</u>	<u>135,773</u>	<u>3,131,264</u>
Expenditures:				
Debt service:				
Principal retirement	1,645,000	1,645,000	-	560,000
Interest and fiscal charges	1,739,613	1,739,600	13	390,331
Total expenditures	<u>3,384,613</u>	<u>3,384,600</u>	<u>13</u>	<u>950,331</u>
Excess of revenue over expenditures	<u>(290,215)</u>	<u>(154,429)</u>	<u>135,786</u>	<u>2,180,933</u>
Other financing sources (uses):				
Refunding bonds issued	-	-	-	4,775,000
Bond premium	-	-	-	77,651
Payment to refunded bonds escrow agent	-	-	-	(4,827,910)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,741</u>
Net change in fund balances	<u>(290,215)</u>	<u>(154,429)</u>	<u>135,786</u>	<u>2,205,674</u>
Fund balances - beginning	<u>3,012,750</u>	<u>3,012,750</u>	<u>-</u>	<u>807,076</u>
Fund balances - ending	<u>\$ 2,722,535</u>	<u>\$ 2,858,321</u>	<u>\$ 135,786</u>	<u>\$ 3,012,750</u>

GRAND COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2010
With Comparative Totals for 2009

	<u>2010</u>			<u>2009</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	\$ 1,703,408	\$ 1,755,724	\$ 52,316	\$ 1,742,847
Earnings on investments	111,133	136,700	25,567	302,174
Other local revenue	-	-	-	17,659
State sources	178,271	178,271	-	110,917
Total revenues	<u>1,992,812</u>	<u>2,070,695</u>	<u>77,883</u>	<u>2,173,597</u>
Expenditures:				
Current:				
Instruction	-	-	-	185,230
Supporting services:				
Instructional staff	-	-	-	88,240
Operation and maintenance of facilities	-	-	-	464,269
Capital outlay	25,980,948	19,559,423	6,421,525	4,968,151
Debt service:				
Principal retirement	-	122,336	(122,336)	115,799
Interest and fiscal charges	-	11,884	(11,884)	18,420
Total expenditures	<u>25,980,948</u>	<u>19,693,643</u>	<u>6,287,305</u>	<u>5,840,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,988,136)</u>	<u>(17,622,948)</u>	<u>6,365,188</u>	<u>(3,666,512)</u>
Other Financing Sources (Uses):				
Bond proceeds	-	-	-	31,000,000
Bond premium	-	-	-	504,121
Sale of capital assets	-	32,590	32,590	-
Transfers	(1,875,726)	(1,925,726)	50,000	-
Total other financing sources (uses)	<u>(1,875,726)</u>	<u>(1,893,136)</u>	<u>82,590</u>	<u>31,504,121</u>
Net change in fund balances	(25,863,862)	(19,516,084)	6,447,778	27,837,609
Fund balances - beginning	<u>27,885,620</u>	<u>27,885,620</u>	<u>-</u>	<u>48,011</u>
Fund balances - ending	<u>\$ 2,021,758</u>	<u>\$ 8,369,536</u>	<u>\$ 6,447,778</u>	<u>\$ 27,885,620</u>

GRAND COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue			Total Nonmajor Governmental Funds
	Non K-12 Programs	Food Services	Student Activities	
Assets:				
Cash and investments	\$ -	\$ 28,996	\$ 168,306	\$ 197,302
Receivables:				
Property taxes	265,312	-	-	265,312
Other local	-	-	-	-
State of Utah	23,986	14,807	-	38,793
Federal government	85,607	6,505	-	92,112
Inventories	-	25,161	-	25,161
Total assets	<u>\$ 374,905</u>	<u>\$ 75,469</u>	<u>\$ 168,306</u>	<u>\$ 618,680</u>
Liabilities:				
Accounts payable	\$ 1,289	\$ 836	\$ -	\$ 2,125
Due to other funds	29,200	-	-	29,200
Deferred revenue:				
Property taxes	264,050	-	-	264,050
State of Utah	6,590	-	-	6,590
Federal government	6,197	-	-	6,197
Total liabilities	<u>307,326</u>	<u>836</u>	<u>-</u>	<u>308,162</u>
Fund balances:				
Reserved for inventories	-	25,161	-	25,161
Unreserved, undesignated	67,579	49,472	168,306	285,357
Total fund balances	<u>67,579</u>	<u>74,633</u>	<u>168,306</u>	<u>310,518</u>
Total liabilities and fund balances	<u>\$ 374,905</u>	<u>\$ 75,469</u>	<u>\$ 168,306</u>	<u>\$ 618,680</u>

GRAND COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010

	Special Revenue			Total Nonmajor Governmental Funds
	Non K-12 Programs	Food Services	Student Activities	
Revenues:				
Local sources:				
Property taxes	\$ 279,034	\$ -	\$ -	\$ 279,034
Earnings on investments	353	240	-	593
Lunch sales	-	194,527	-	194,527
Other local revenue	20,048	-	501,107	521,155
State sources	200,452	78,704	-	279,156
Federal sources	291,482	382,409	-	673,891
Total revenues	<u>791,369</u>	<u>655,880</u>	<u>501,107</u>	<u>1,948,356</u>
Expenditures:				
Current:				
Instruction	-	-	521,084	521,084
Non K-12 programs	668,176	-	-	668,176
Food services	-	618,836	-	618,836
Total expenditures	<u>668,176</u>	<u>618,836</u>	<u>521,084</u>	<u>1,808,096</u>
Excess (deficiency) of revenues over (under) expenditures	123,193	37,044	(19,977)	140,260
Other Financing Sources (Uses):				
Transfers	(175,601)	-	75,601	(100,000)
Net change in fund balance	(52,408)	37,044	55,624	40,260
Fund balances - beginning	<u>119,987</u>	<u>37,589</u>	<u>112,682</u>	<u>270,258</u>
Fund balances - ending	<u>\$ 67,579</u>	<u>\$ 74,633</u>	<u>\$ 168,306</u>	<u>\$ 310,518</u>

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, 2010
With Comparative Totals for 2009

	<u>2010</u>			<u>2009</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	\$ 267,117	\$ 279,034	\$ 11,917	\$ 275,664
Earnings on investments	179	353	174	658
Other local revenue	8,942	20,048	11,106	75,136
State sources	267,542	200,452	(67,090)	240,023
Federal sources	312,959	291,482	(21,477)	150,125
Total revenues	<u>856,739</u>	<u>791,369</u>	<u>(65,370)</u>	<u>741,606</u>
Expenditures:				
Salaries	456,789	439,484	17,305	425,092
Employee benefits	153,667	125,630	28,037	155,114
Purchased services	78,878	58,419	20,459	58,577
Supplies and property	40,675	37,523	3,152	26,580
Other objects	30,040	7,120	22,920	8,085
Total expenditures	<u>760,049</u>	<u>668,176</u>	<u>91,873</u>	<u>673,448</u>
Excess (deficiency) of revenues over (under) expenditures	96,690	123,193	26,503	68,158
Other Financing Sources (Uses):				
Transfers	(175,601)	(175,601)	-	-
Net change in fund balance	(78,911)	(52,408)	26,503	68,158
Fund balances - beginning	<u>119,987</u>	<u>119,987</u>	<u>-</u>	<u>51,829</u>
Fund balances - ending	<u>\$ 41,076</u>	<u>\$ 67,579</u>	<u>\$ 26,503</u>	<u>\$ 119,987</u>

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, 2010

	<u>2010</u>			<u>2009</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	\$ 194,056	\$ 194,527	\$ 471	\$ 208,319
Earnings on investments	-	240	240	-
State sources	79,974	78,704	(1,270)	79,974
Federal sources	421,636	382,409	(39,227)	366,636
Total revenues	<u>695,666</u>	<u>655,880</u>	<u>(39,786)</u>	<u>654,929</u>
Expenditures:				
Salaries	232,359	227,453	4,906	232,358
Employee benefits	143,474	133,979	9,495	173,874
Purchased services	2,500	1,082	1,418	1,146
Supplies	19,857	18,294	1,563	19,053
Food	287,476	234,396	53,080	269,056
Equipment	10,000	3,138	6,862	17,460
Other objects	-	494	(494)	-
Total expenditures	<u>695,666</u>	<u>618,836</u>	<u>76,830</u>	<u>712,947</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	37,044	37,044	(58,018)
Fund balances - beginning	<u>37,589</u>	<u>37,589</u>	-	<u>95,607</u>
Fund balances - ending	<u>\$ 37,589</u>	<u>\$ 74,633</u>	<u>\$ 37,044</u>	<u>\$ 37,589</u>

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, 2010
With Comparative Totals for 2009

	<u>2010</u>			<u>2009</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	\$ 164,571	\$ 501,107	\$ 336,536	\$ 521,887
Total revenues	<u>164,571</u>	<u>501,107</u>	<u>336,536</u>	<u>521,887</u>
Expenditures:				
Instruction	158,093	521,084	(362,991)	518,540
Community services	-	-	-	-
Total expenditures	<u>158,093</u>	<u>521,084</u>	<u>(362,991)</u>	<u>518,540</u>
Excess (deficiency) of revenues over (under) expenditures	6,478	(19,977)	(26,455)	3,347
Other Financing Sources (Uses):				
Transfers	<u>75,601</u>	<u>75,601</u>	<u>-</u>	<u>-</u>
Net change in fund balance	82,079	55,624	(26,455)	3,347
Fund balances - beginning	<u>112,682</u>	<u>112,682</u>	<u>-</u>	<u>109,335</u>
Fund balances - ending	<u>\$ 119,160</u>	<u>\$ 168,306</u>	<u>\$ (26,455)</u>	<u>\$ 112,682</u>