

**GRAVES COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**GRAVES COUNTY SCHOOL DISTRICT  
JUNE 30, 2020**

**BOARD OF EDUCATION**

Jim Wirth, Chairman  
Kelly Thurman, Vice Chairman  
Ronnie Holmes, Member  
Kenneth House, Member  
Julie Moffitt, Member

**ADMINISTRATIVE STAFF**

Matthew Madding, Superintendent  
Jennifer Dillon, Finance Director

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Graves County School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Graves County School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 17 to the financial statements, during the year ended June 30 2020, the Graves County School District adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and combining and individual school activity fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining and individual school activity fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14 2020, on our consideration of Graves County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Graves County School District's 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 Graves County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

December 14, 2020



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

As management of the Graves County School District (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The ending cash and investments balance for the District was \$4,235,016, as compared with the beginning cash balance of \$4,266,178. The ending cash and investments balance consists of General Fund of \$1,107,932, Special Revenue Fund of \$5,997, Construction Fund of \$680,187, Student Activity Funds of \$587,359, other governmental funds of \$317,535, Day Care (Early Eagle) Fund \$0, Food Service Fund of \$1,374,593 and Private Purpose Trust Fund of \$161,413.
- Excluding interfund transfers, the General Fund has \$36,142,551 in revenue, which primarily consisted of the state program (SEEK) funds, property, utilities, motor vehicle and in lieu of taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased \$843,614 in comparison to prior year of \$36,986,164. Excluding interfund transfers, there were General Fund expenditures totaling \$36,739,185. This is a decrease of \$568,861 compared to \$37,308,046 in General Fund expenditures for the prior year.
- During FY20, the District received \$15,094,973 in state Support Education Excellence in Kentucky (SEEK) funds, a reduction of \$1,177,801 from the previous year. This reduction is a result of a decline of 56.3 students in average daily attendance, and a \$112,665,943 increase in property assessments that netted an additional \$337,998 withholding at the state level of our 30-cent local effort.
- General real and personal property tax revenue collections were approximately 96.4% in FY20.
- While transportation was once funded by the state at 100% of the District cost, the SEEK calculation in FY20 included transportation funding at only 69% of total district’s transportation cost, excluding state paid on-behalf employee benefits. The District purchased two new buses with FY20 funds totaling \$183,812.
- The District expense for “matching” contributions to the Kentucky Teacher Retirement System (KTRS) for FY20 remained at 3.00% for all certified employees.
- Most classified employees contribute to County Employees Retirement Systems (CERS). The District expense for “matching” contributions for FY20 increased 12% from 21.48% in FY19 to 24.06% in FY20.
- The financial statements reflect a total of \$12,063,036 of revenues and aid from the state for payments made by the state on behalf of District employees for retirement contributions, health insurance, debt service and technology. A like amount of expenses is also recorded in the financial statements.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements** – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows of resources and the District’s liabilities and deferred inflows of resources – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**Fund financial statements** – The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are Food Service and Day Care (Early Eagle). The proprietary fund statements are the same as the business-type activities in the government-wide statements but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of a private purpose trust fund. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 90.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows of resources were greater than liabilities plus deferred inflows of resources by \$1,808,931 at the close of the most recent fiscal year.

Long-term liabilities decreased primarily due to a net decrease of \$1,316,064 in net pension liability and net other postemployment benefits (OPEB) liability. This factor is outside the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions to District employees, not the District. A significant portion of the District’s net position, \$24,490,228, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; 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 \$1,585,018 represents resources subject to external restrictions on how they may be used.

Following is a summary of the District’s government-wide net position as of June 30, 2020 and 2019:

**Net Position**

|  | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                    | <u>District Total</u> |                     |
|--|--------------------------------|---------------------|---------------------------------|--------------------|-----------------------|---------------------|
|  | <u>2020</u>                    | <u>2019</u>         | <u>2020</u>                     | <u>2019</u>        | <u>2020</u>           | <u>2019</u>         |
| <b>ASSETS</b>                              |                                |                     |                                 |                    |                       |                     |
| Current assets and other assets            | \$ 4,809,008                   | \$ 2,877,756        | \$ 1,487,438                    | \$ 1,442,465       | \$ 6,296,446          | \$ 4,320,221        |
| Capital assets                             | 43,172,365                     | 42,883,019          | 1,968,629                       | 2,055,378          | 45,140,994            | 44,938,397          |
| Total assets                               | <u>47,981,373</u>              | <u>45,760,775</u>   | <u>3,456,067</u>                | <u>3,497,843</u>   | <u>51,437,440</u>     | <u>49,258,618</u>   |
| <b>Deferred outflows of resources</b>      | <u>5,362,839</u>               | <u>4,225,137</u>    | <u>781,492</u>                  | <u>767,317</u>     | <u>6,144,331</u>      | <u>4,992,454</u>    |
| <b>LIABILITIES</b>                         |                                |                     |                                 |                    |                       |                     |
| Current liabilities                        | 1,151,950                      | 551,080             | 215,004                         | 204,821            | 1,366,954             | 755,901             |
| Noncurrent liabilities                     | 45,185,782                     | 47,146,686          | 3,689,835                       | 3,676,358          | 48,875,617            | 50,823,044          |
| Total liabilities                          | <u>46,337,732</u>              | <u>47,697,766</u>   | <u>3,904,839</u>                | <u>3,881,179</u>   | <u>50,242,571</u>     | <u>51,578,945</u>   |
| <b>Deferred inflows of resources</b>       | <u>5,101,816</u>               | <u>1,524,380</u>    | <u>428,453</u>                  | <u>230,703</u>     | <u>5,530,269</u>      | <u>1,755,083</u>    |
| <b>NET POSITION</b>                        |                                |                     |                                 |                    |                       |                     |
| Investment in capital assets (net of debt) | 22,521,599                     | 22,609,190          | 1,968,629                       | 2,055,378          | 24,490,228            | 24,664,568          |
| Restricted                                 | 1,585,081                      | 181,000             | -                               | -                  | 1,585,081             | 181,000             |
| Unrestricted                               | <u>(22,202,016)</u>            | <u>(22,026,424)</u> | <u>(2,064,362)</u>              | <u>(1,902,100)</u> | <u>(24,266,378)</u>   | <u>(23,928,524)</u> |
| Total net position                         | <u>\$ 1,904,664</u>            | <u>\$ 763,766</u>   | <u>\$ (95,733)</u>              | <u>\$ 153,278</u>  | <u>\$ 1,808,931</u>   | <u>\$ 917,044</u>   |

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The net pension liability (NPL) and the other postemployment benefits (OPEB) are the largest liabilities reported by the District as of June 30, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB 68 (pension) and GASB 75 (OPEB) require the net pension liability and the net OPEB liability to equal the District’s proportionate share of each plan’s collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$992,613. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements. The decrease in business-type activities net position is due mainly to current year changes in pension liability charges.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Following is a summary of changes in the District’s net position for the years ended June 30, 2020 and 2019:

**Changes in Net Position**

|   | Governmental Activities |                   | Business-type Activities |                     | District Total    |                     |
|---|-------------------------|-------------------|--------------------------|---------------------|-------------------|---------------------|
|   | 2020                    | 2019              | 2020                     | 2019                | 2020              | 2019                |
| <b>REVENUES</b>                               |                         |                   |                          |                     |                   |                     |
| Program revenues                              |                         |                   |                          |                     |                   |                     |
| Charges for services                          | \$ -                    | \$ -              | \$ 294,590               | \$ 356,038          | \$ 294,590        | \$ 356,038          |
| Operating grants and contributions            | 4,438,201               | 4,547,202         | 2,847,898                | 3,156,804           | 7,286,099         | 7,704,006           |
| Capital grants and contributions              | 992,613                 | -                 | -                        | -                   | 992,613           | -                   |
| General revenues                              |                         |                   |                          |                     |                   |                     |
| Property taxes                                | 7,290,060               | 7,524,703         | -                        | -                   | 7,290,060         | 7,524,703           |
| Other taxes                                   | 2,994,657               | 2,552,203         | -                        | -                   | 2,994,657         | 2,552,203           |
| State aid                                     | 27,439,300              | 29,112,919        | 336,622                  | -                   | 27,775,922        | 29,112,919          |
| Investment earnings                           | 94,136                  | 101,737           | 33,567                   | 34,865              | 127,703           | 136,602             |
| Other   | 1,707,743               | 782,892           | (619)                    | 12,485              | 1,707,124         | 795,377             |
| <b>Total revenues</b>                         | <b>44,956,710</b>       | <b>44,621,656</b> | <b>3,512,058</b>         | <b>3,560,192</b>    | <b>48,468,768</b> | <b>48,181,848</b>   |
| <b>EXPENSES</b>                               |                         |                   |                          |                     |                   |                     |
| Instruction                                   | 28,618,122              | 26,661,734        | -                        | -                   | 28,618,122        | 26,661,734          |
| Support services                              |                         |                   |                          |                     |                   |                     |
| Student                                       | 2,925,233               | 3,461,671         | -                        | -                   | 2,925,233         | 3,461,671           |
| Instructional support                         | 2,156,874               | 1,664,587         | -                        | -                   | 2,156,874         | 1,664,587           |
| District administration                       | 580,704                 | 1,461,862         | -                        | -                   | 580,704           | 1,461,862           |
| School administration                         | 2,280,576               | 2,380,652         | -                        | -                   | 2,280,576         | 2,380,652           |
| Business support                              | 706,110                 | 649,572           | -                        | -                   | 706,110           | 649,572             |
| Plant operations                              | 3,142,384               | 3,405,990         | -                        | -                   | 3,142,384         | 3,405,990           |
| Student transportation                        | 2,777,429               | 3,439,745         | -                        | -                   | 2,777,429         | 3,439,745           |
| Community services                            | 432,323                 | 461,260           | -                        | -                   | 432,323           | 461,260             |
| Interest on long-term debt                    | 660,981                 | 789,756           | -                        | -                   | 660,981           | 789,756             |
| Facilities and acquisition                    | 39,393                  | -                 | -                        | -                   | 39,393            | -                   |
| Other instructional                           | 1,558                   | -                 | -                        | -                   | 1,558             | -                   |
| Other non-instructional                       | 68,297                  | -                 | -                        | -                   | 68,297            | -                   |
| Amortization - Unallocated                    | -                       | 144,031           | -                        | -                   | -                 | 144,031             |
| Day care                                      | -                       | -                 | 202,388                  | 503,736             | 202,388           | 503,736             |
| Food service                                  | -                       | -                 | 3,424,031                | 3,691,482           | 3,424,031         | 3,691,482           |
| <b>Total expenses</b>                         | <b>44,389,984</b>       | <b>44,520,860</b> | <b>3,626,419</b>         | <b>4,195,218</b>    | <b>48,016,403</b> | <b>48,716,078</b>   |
| Change in net position before transfers       | 566,726                 | 100,796           | (114,361)                | (635,026)           | 452,365           | (534,230)           |
| Transfers in (out)                            | 134,650                 | 124,000           | (134,650)                | (124,000)           | -                 | -                   |
| <b>Change in net position after transfers</b> | <b>\$ 701,376</b>       | <b>\$ 224,796</b> | <b>\$ (249,011)</b>      | <b>\$ (759,026)</b> | <b>\$ 452,365</b> | <b>\$ (534,230)</b> |



**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

*Governmental Activities*

The net position of the District’s governmental activities increased by \$1,203,288 (includes \$542,481 from implementation of GASB 84 and prior period adjustment of (\$102,959)). Net position reflects a positive balance of \$1,904,664. The District has developed a strategic plan to best utilize the resources available and to preserve those resources as long as possible.

Expenses include \$1,033,788 from pension and OPEB that is required to be recorded per GASB 68 and GASB 75.

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL 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 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. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, The District’s governmental funds reported combined ending fund balances of \$3,880,940, an increase of \$1,447,819 (includes \$542,481 from implementation of GASB 84) in comparison to the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2020 and 2019.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund and the Special Revenue Student Activity Fund which include funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term obligations.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Following is a summary of fund balances as of June 30, 2020 and 2019:

| <b>Governmental Funds</b>       | <b>2020</b>         | <b>2019</b>         | <b>Increase<br/>(Decrease)</b> |
|---------------------------------|---------------------|---------------------|--------------------------------|
| General Fund                    | \$ 2,295,859        | \$ 1,994,945        | \$ 300,914                     |
| Special Revenue Fund            | -                   | -                   | -                              |
| Building Fund                   | -                   | -                   | -                              |
| Construction Fund               | 680,187             | 219,915             | 460,272                        |
| Student Activity Fund           | 587,359             | -                   | 587,359                        |
| Debt Service Fund               | -                   | -                   | -                              |
| Capital Outlay Fund             | 234,006             | 184,274             | 49,732                         |
| District Activity Fund          | 83,529              | 33,987              | 49,542                         |
| <b>Total governmental funds</b> | <b>\$ 3,880,940</b> | <b>\$ 2,433,121</b> | <b>\$ 1,447,819</b>            |

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$1,906,864, while total fund balance reached \$2,295,859. The total fund balance of the General Fund increased by \$300,914 (15.1%) versus prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (KDE) and Kentucky Law, the budgets of the District’s funds are prepared to account for most transactions on a cash receipt/cash disbursement basis. The KDE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District’s Policy 4.1 Budget Planning and Adoption (Chpt. 4 Fiscal Management) was amended and approved August 16, 2018 that allowed the District to adopt, and KDE to subsequently review and approve, a working budget for 18-19 and 19-20 school years that includes a minimum contingency of less than two percent (2.00%) of total budget. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE. It is important to note that the District’s contingency as of June 30, 2020 was above the 2.00% minimum requirement despite the budget amendment for FY19-20.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The General Fund original budget included \$11,253,050 of state on-behalf payments for District employees’ retirement and health benefits, technology and debt service. These payments are reflected as state program revenues, and in each type of expenditures in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year due to slightly higher property tax collection rates.

The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2020, excluding interfund transfers, other financing sources and beginning balances, were \$36,142,551 compared to the total budgeted revenues of \$36,956,081.

The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2020, excluding interfund transfers, were \$36,739,185 compared to the total budgeted expenditures of \$38,849,800.

Significant Board action that impacts the finances includes no salary increase for District employees, staffing reductions, reduction in bus purchases, elimination of textbook purchases and limiting facility improvements and major purchases throughout the District.

Fund 2 is made up of state, local and federal grants. These grants include Title programs, IDEA B special education and preschool funding, Flex Focus state dollars and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, programming costs and travel and training costs.

Funds 310 and 320 are restricted funds for capital projects. The District has used those funds for debt service payments. The State contributes to those funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2020, the District had \$45,140,994 invested in capital assets net of depreciation: historical cost totaled \$78,712,428 with accumulated depreciation totaling \$33,571,434. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Funds in the amount of \$673,633 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$2,218,234, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Following is a summary of capital assets, net of depreciation, as of June 30, 2020 and 2019:

**Net Capital Assets**

|                              | Governmental Activities |                      | Business-type Activities |                     | District Total       |                      |
|------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                              | 2020                    | 2019                 | 2020                     | 2019                | 2020                 | 2019                 |
| Land                         | \$ 1,482,708            | \$ 1,482,708         | \$ -                     | \$ -                | \$ 1,482,708         | \$ 1,482,708         |
| Construction in progress     | 1,754,706               | -                    | -                        | -                   | 1,754,706            | -                    |
| Buildings and improvements   | 37,544,710              | 38,957,999           | 1,794,421                | 1,855,116           | 39,339,131           | 40,813,115           |
| Land improvements            | 60,260                  | 68,464               | -                        | -                   | 60,260               | 68,464               |
| Technology equipment         | 13,445                  | 10,943               | -                        | -                   | 13,445               | 10,943               |
| Vehicles                     | 1,293,304               | 1,435,945            | -                        | -                   | 1,293,304            | 1,435,945            |
| General equipment            | 366,698                 | 413,489              | 174,208                  | 200,262             | 540,906              | 613,751              |
| Infrastructure               | 43,774                  | 49,166               | -                        | -                   | 43,774               | 49,166               |
| Property under capital lease | 612,760                 | 464,305              | -                        | -                   | 612,760              | 464,305              |
| <b>Total</b>                 | <b>\$ 43,172,365</b>    | <b>\$ 42,883,019</b> | <b>\$ 1,968,629</b>      | <b>\$ 2,055,378</b> | <b>\$ 45,140,994</b> | <b>\$ 44,938,397</b> |

**Long-term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2020 were \$20,140,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$7,268,535 of the bonds leaving the District to pay \$12,871,465. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses and office equipment, will decrease as the leases are paid down.

The State must approve the issuance of any new bonds of the District.

Following is a detail of the bonds payable outstanding as of June 30, 2020:

| Issue | Description   | Maturity | Balance              |
|-------|---|----------|----------------------|
| 2011  | Refunding Series 2003 Bonds (Central, Sedalia, Symsonia Elementary Schools) | 6/1/2023 | \$ 3,770,000         |
| 2013  | Refunding Sereis 2009 BABs (Fancy Farm Elementary)                          | 6/1/2029 | 5,275,000            |
| 2014  | Finance Energy Conservation Projects at multiple sites in District          | 2/1/2035 | 7,850,000            |
| 2015  | Refunding Series 2006 Bonds (GCHS Auditorium)                               | 3/1/2026 | 1,000,000            |
| 2020  | Farmington Elementary HVAC  | 4/1/2040 | 2,245,000            |
|       |   |          | <b>\$ 20,140,000</b> |

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding. A factor in that SEEK formula is base funding driven by average daily attendance, and the District faces the challenges of declining student enrollment.

The District’s financial position is contingent upon legislation and factors related to properly taxation in conjunction with decisions made by the District’s Board management. Though local property assessments continue to rise, the SEEK reduction based upon the required 30-cent local levy on those assessments coupled with the District’s declining student enrollment have produced little significant, additional revenue on which the District can strengthen its financial position substantially.

The District remains committed to utilizing resources to provide the maximum benefits to students and provide them with a quality education. This involves closely monitoring legislation, effectively managing our grant resources, controlling expenditures and seeking new sources of revenues. The District has several critical facility needs that exceed its short-term bonding potential, providing a challenge to maintain quality facilities with available resources. The Superintendent and Director of Finance work with the members of the Board to ensure there are controlled expenditures for capital outlay that may arise without causing a decrease to the funding for the education and safety of our students.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. Questions regarding this report should be directed to Matthew Madding, Superintendent, (270.328.1554) or Jennifer Dillon, Director of Finance, (270.328.1544) or by mail at 2290 State Route 121 North, Mayfield, KY 42066.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

|   | Governmental<br>Activities | Business-<br>type<br>Activities | Total             |
|---|----------------------------|---------------------------------|-------------------|
| <b>ASSETS</b>                               |                            |                                 |                   |
| Cash and cash equivalents                   | \$ 2,699,010               | \$ 1,374,593                    | \$ 4,073,603      |
| Accounts receivable                         |                            |                                 |                   |
| Taxes                                       | 618,086                    | -                               | 618,086           |
| Other                                       | 130,915                    | 58,023                          | 188,938           |
| Intergovernmental - indirect federal        | 716,224                    | -                               | 716,224           |
| Interfund receivable                        | 644,773                    | -                               | 644,773           |
| Inventory                                   | -                          | 54,822                          | 54,822            |
| Capital assets                              |                            |                                 |                   |
| Non-depreciable                             | 3,237,414                  | 4,083,467                       | 7,320,881         |
| Depreciable (net)                           | 39,934,951                 | (2,114,838)                     | 37,820,113        |
| <b>Total assets</b>                         | <b>47,981,373</b>          | <b>3,456,067</b>                | <b>51,437,440</b> |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>        |                            |                                 |                   |
| OPEB  | 2,213,006                  | 268,922                         | 2,481,928         |
| Pension                                     | 2,873,153                  | 512,570                         | 3,385,723         |
| Deferred amount on debt refundings          | 276,680                    | -                               | 276,680           |
| <b>Total deferred outflows of resources</b> | <b>5,362,839</b>           | <b>781,492</b>                  | <b>6,144,331</b>  |
| <b>LIABILITIES</b>                          |                            |                                 |                   |
| Interfund payable                           | 439,158                    | 205,615                         | 644,773           |
| Accounts payable                            | 170,807                    | 9,389                           | 180,196           |
| Unearned revenue                            | 272,282                    | -                               | 272,282           |
| Advance payments                            | 95,649                     | -                               | 95,649            |
| Accrued interest                            | 174,054                    | -                               | 174,054           |
| Noncurrent obligations                      |                            |                                 |                   |
| Portion due or payable within one year      |                            |                                 |                   |
| Bonds payable                               | 2,265,000                  | -                               | 2,265,000         |
| Capital leases                              | 237,166                    | -                               | 237,166           |
| Compensated absences                        | 20,239                     | -                               | 20,239            |
| Insurance assessment                        | 45,821                     | -                               | 45,821            |
| Portion due or payable after one year       |                            |                                 |                   |
| Bonds payable                               | 17,790,670                 | -                               | 17,790,670        |
| Capital leases                              | 357,930                    | -                               | 357,930           |
| Compensated absences                        | 279,000                    | 53,137                          | 332,137           |
| Net OPEB liability                          | 11,524,815                 | 716,472                         | 12,241,287        |
| Net pension liability                       | 12,665,141                 | 2,920,226                       | 15,585,367        |
| <b>Total liabilities</b>                    | <b>46,337,732</b>          | <b>3,904,839</b>                | <b>50,242,571</b> |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION, continued  
JUNE 30, 2020**

|   | Governmental<br>Activities | Business-<br>type<br>Activities | Total               |
|---|----------------------------|---------------------------------|---------------------|
| <b>DEFERRED INFLOW OF RESOURCES</b>             |                            |                                 |                     |
| OPEB  | 3,795,474                  | 295,518                         | 4,090,992           |
| Pension   | 1,306,342                  | 132,935                         | 1,439,277           |
| Total deferred inflows of resources             | <u>5,101,816</u>           | <u>428,453</u>                  | <u>5,530,269</u>    |
| <b>NET POSITION</b>                             |                            |                                 |                     |
| Invested in capital assets, net of related debt | 22,521,599                 | 1,968,629                       | 24,490,228          |
| Restricted                                      | 1,585,081                  | -                               | 1,585,081           |
| Unrestricted                                    | (22,202,016)               | (2,064,362)                     | (24,266,378)        |
| Total net position                              | <u>\$ 1,904,664</u>        | <u>\$ (95,733)</u>              | <u>\$ 1,808,931</u> |

See accompanying notes to financial statements



**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

| <b>FUNCTIONS/PROGRAMS</b>               | Program Revenues |                            |  |                                      | Net (Expenses)<br>Revenues |
|---|------------------|----------------------------|--|--------------------------------------|----------------------------|
|   | Expenses         | Charges<br>for<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions |                            |
| <b>Governmental Activities</b>          |                  |                            |  |                                      |                            |
| Current                                 |                  |                            |  |                                      |                            |
| Instruction                             | \$ 28,618,122    | \$ -                       | \$ 4,438,201                           | \$ -                                 | \$ (24,179,921)            |
| Support services                        |                  |                            |  |                                      |                            |
| Student                                 | 2,925,233        | -                          | -                                      | -                                    | (2,925,233)                |
| Instructional staff                     | 2,156,874        | -                          | -                                      | -                                    | (2,156,874)                |
| District administration                 | 580,704          | -                          | -                                      | -                                    | (580,704)                  |
| School administration                   | 2,280,576        | -                          | -                                      | -                                    | (2,280,576)                |
| Business                                | 706,110          | -                          | -                                      | -                                    | (706,110)                  |
| Plant operation and maintenance         | 3,142,384        | -                          | -                                      | -                                    | (3,142,384)                |
| Student transportation                  | 2,777,429        | -                          | -                                      | -                                    | (2,777,429)                |
| Community service activities            | 432,323          | -                          | -                                      | -                                    | (432,323)                  |
| Other instructional                     | 1,558            | -                          | -                                      | -                                    | (1,558)                    |
| Other non-instructional                 | 68,297           | -                          | -                                      | -                                    | (68,297)                   |
| Facilities acquisition and construction | 39,393           | -                          | -                                      | -                                    | (39,393)                   |
| Interest on long-term debt              | 660,981          | -                          | -                                      | 992,613                              | 331,632                    |
| Total governmental activities           | 44,389,984       | -                          | 4,438,201                              | 992,613                              | (38,959,170)               |
| <b>Business-type Activities</b>         |                  |                            |  |                                      |                            |
| Food service                            | 3,424,031        | 183,799                    | 2,847,898                              | -                                    | (392,334)                  |
| Day care                                | 202,388          | 110,791                    | -                                      | -                                    | (91,597)                   |
| Total business-type activities          | 3,626,419        | 294,590                    | 2,847,898                              | -                                    | (483,931)                  |
| Total activities                        | \$ 48,016,403    | \$ 294,590                 | \$ 7,286,099                           | \$ 992,613                           | \$ (39,443,101)            |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>Net Revenues (Expenses)</b>                   | (38,959,170)                       | (483,931)                           | (39,443,101)        |
| <b>General Revenues</b>                          |                                    |                                     |                     |
| Taxes  |                                    |                                     |                     |
| Property   | 7,290,060                          | -                                   | 7,290,060           |
| Motor vehicle                                    | 1,166,373                          | -                                   | 1,166,373           |
| Utilities  | 1,526,143                          | -                                   | 1,526,143           |
| Other  | 302,141                            | -                                   | 302,141             |
| Investment earnings                              | 94,136                             | 33,567                              | 127,703             |
| State aid and formula grants                     | 27,439,300                         | 336,622                             | 27,775,922          |
| Gain (loss) on sale of fixed assets              | 19,674                             | (2,981)                             | 16,693              |
| Miscellaneous                                    | 1,688,069                          | 2,362                               | 1,690,431           |
| <b>Total general revenues</b>                    | <u>39,525,896</u>                  | <u>369,570</u>                      | <u>39,895,466</u>   |
| Change in net position                           | <u>566,726</u>                     | <u>(114,361)</u>                    | <u>452,365</u>      |
| Transfers in (out)                               | <u>134,650</u>                     | <u>(134,650)</u>                    | <u>-</u>            |
| Change in net position after transfers           | <u>701,376</u>                     | <u>(249,011)</u>                    | <u>452,365</u>      |
| <b>Net position, beginning of year</b>           | <u>763,766</u>                     | <u>153,278</u>                      | <u>917,044</u>      |
| Implementation of GASB 84 (Note 17)              | 542,481                            | -                                   | 542,481             |
| Prior period adjustment                          | <u>(102,959)</u>                   | <u>-</u>                            | <u>(102,959)</u>    |
| <b>Net position, beginning of year, restated</b> | <u>1,203,288</u>                   | <u>153,278</u>                      | <u>1,356,566</u>    |
| <b>Net position, end of year</b>                 | <u>\$ 1,904,664</u>                | <u>\$ (95,733)</u>                  | <u>\$ 1,808,931</u> |

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

|                                      | <u>General</u>      | <u>Special<br/>Revenue</u> | <u>Construction</u> | <u>School<br/>Activity</u> | <u>Nonmajor<br/>Governmental</u> | <u>Total</u>        |
|--------------------------------------|---------------------|----------------------------|---------------------|----------------------------|----------------------------------|---------------------|
| <b>ASSETS</b>                        |                     |                            |                     |                            |                                  |                     |
| Cash and cash equivalents            | \$ 1,107,932        | \$ 5,997                   | \$ 680,187          | \$ 587,359                 | \$ 317,535                       | \$ 2,699,010        |
| Accounts receivable                  |                     |                            |                     |                            |                                  |                     |
| Taxes                                | 618,086             | -                          | -                   | -                          | -                                | 618,086             |
| Other                                | 130,915             | -                          | -                   | -                          | -                                | 130,915             |
| Interfund receivable                 | 644,773             | -                          | -                   | -                          | -                                | 644,773             |
| Intergovernmental - indirect federal | -                   | 716,224                    | -                   | -                          | -                                | 716,224             |
| <b>Total assets</b>                  | <u>\$ 2,501,706</u> | <u>\$ 722,221</u>          | <u>\$ 680,187</u>   | <u>\$ 587,359</u>          | <u>\$ 317,535</u>                | <u>\$ 4,809,008</u> |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
BALANCE SHEET, continued  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

| <b>LIABILITIES AND FUND BALANCES</b>           | <u>General</u>      | <u>Special<br/>Revenue</u> | <u>Construction</u> | <u>School<br/>Activity</u> | <u>Nonmajor<br/>Governmental</u> | <u>Total</u>        |
|--|---------------------|----------------------------|---------------------|----------------------------|----------------------------------|---------------------|
| Liabilities                                    |                     |                            |                     |                            |                                  |                     |
| Accounts payable                               | \$ 160,026          | \$ 10,781                  | \$ -                | \$ -                       | \$ -                             | \$ 170,807          |
| Interfund payable                              |                     | 439,158                    |                     |                            | -                                | 439,158             |
| Insurance assessment                           | 45,821              | -                          | -                   | -                          | -                                | 45,821              |
| Unearned revenue                               | -                   | 272,282                    | -                   | -                          | -                                | 272,282             |
| <b>Total liabilities</b>                       | <u>205,847</u>      | <u>722,221</u>             | <u>-</u>            | <u>-</u>                   | <u>-</u>                         | <u>928,068</u>      |
| Fund balances                                  |                     |                            |                     |                            |                                  |                     |
| Nonspendable                                   | -                   | -                          | -                   | -                          | -                                | -                   |
| Spendable                                      |                     |                            |                     |                            |                                  |                     |
| Restricted                                     | -                   | -                          | 680,187             | 587,359                    | 317,535                          | 1,585,081           |
| Committed                                      | 186,000             | -                          | -                   | -                          | -                                | 186,000             |
| Assigned                                       | 202,995             | -                          | -                   | -                          | -                                | 202,995             |
| Unassigned                                     | 1,906,864           | -                          | -                   | -                          | -                                | 1,906,864           |
| <b>Total fund balances</b>                     | <u>2,295,859</u>    | <u>-</u>                   | <u>680,187</u>      | <u>587,359</u>             | <u>317,535</u>                   | <u>3,880,940</u>    |
| <b>Total liabilities<br/>and fund balances</b> | <u>\$ 2,501,706</u> | <u>\$ 722,221</u>          | <u>\$ 680,187</u>   | <u>\$ 587,359</u>          | <u>\$ 317,535</u>                | <u>\$ 4,809,008</u> |

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total fund balance per fund financial statements \$ 3,880,940

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$74,628,962, and the accumulated depreciation is \$31,456,597. 43,172,365

Deferred outflows of resources related to current and prior bond issues are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position 276,680

Advance payments received from the Murray Head Start program for building and equipment costs are not due and payable in the current period, and therefore, are not reported as liabilities in the funds, but are reported as unearned revenue in the statement of net position (95,649)

Pension and postemployment benefits related items:

|                             |              |
|-----------------------------|--------------|
| Deferred outflows - OPEB    | 2,213,006    |
| Deferred outflows - Pension | 2,873,153    |
| Deferred inflows - OPEB     | (3,795,474)  |
| Deferred inflows - Pension  | (1,306,342)  |
| Net OPEB liability          | (11,524,815) |
| Net pension liability       | (12,665,141) |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

|                            |                 |
|----------------------------|-----------------|
| Bonds payable              | \$ (20,055,670) |
| Capital lease obligations  | (595,096)       |
| Accrued interest on bonds  | (174,054)       |
| Accrued sick leave payable | (299,239)       |
|                            | (21,124,059)    |

Net position for governmental activities \$ 1,904,664

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|                                      | General           | Special<br>Revenue | Construction     | School<br>Activity | Nonmajor<br>Governmental | Total             |
|--------------------------------------|-------------------|--------------------|------------------|--------------------|--------------------------|-------------------|
| <b>REVENUES</b>                      |                   |                    |                  |                    |                          |                   |
| From local sources                   |                   |                    |                  |                    |                          |                   |
| Taxes                                |                   |                    |                  |                    |                          |                   |
| Property                             | \$ 6,329,291      | \$ -               | \$ -             | \$ -               | \$ 960,769               | \$ 7,290,060      |
| Motor vehicle                        | 1,166,373         | -                  | -                | -                  | -                        | 1,166,373         |
| Utilities                            | 1,526,143         | -                  | -                | -                  | -                        | 1,526,143         |
| Other                                | 302,141           | -                  | -                | -                  | -                        | 302,141           |
| Student activities                   | 26,475            | -                  | -                | 1,140,378          | -                        | 1,166,853         |
| Investment earnings                  | 84,646            | 119                | 9,371            | -                  | -                        | 94,136            |
| Other local revenues                 | 340,884           | 87,473             | -                | -                  | 92,859                   | 521,216           |
| Intergovernmental - state            | 26,021,339        | 1,525,781          | -                | -                  | 1,961,255                | 29,508,375        |
| Intergovernmental - indirect federal | 345,259           | -                  | -                | -                  | -                        | 345,259           |
| Intergovernmental - federal          | -                 | 3,016,480          | -                | -                  | -                        | 3,016,480         |
| <b>Total revenues</b>                | <b>36,142,551</b> | <b>4,629,853</b>   | <b>9,371</b>     | <b>1,140,378</b>   | <b>3,014,883</b>         | <b>44,937,036</b> |
| <b>EXPENDITURES</b>                  |                   |                    |                  |                    |                          |                   |
| Current                              |                   |                    |                  |                    |                          |                   |
| Instruction                          | 22,435,777        | 2,791,928          | -                | 978,683            | 43,317                   | 26,249,705        |
| Support services                     |                   |                    |                  |                    |                          |                   |
| Student                              | 3,164,811         | 4,869              | -                | -                  | -                        | 3,169,680         |
| Instructional staff                  | 1,108,234         | 1,020,336          | -                | 26,183             | -                        | 2,154,753         |
| District administration              | 1,168,982         | (491)              | -                | -                  | -                        | 1,168,491         |
| School administration                | 2,276,536         | -                  | -                | -                  | -                        | 2,276,536         |
| Business                             | 689,836           | 16,274             | -                | -                  | -                        | 706,110           |
| Plant operation and maintenance      | 3,177,565         | -                  | -                | -                  | -                        | 3,177,565         |
| Student transportation               | 2,610,725         | 20,188             | -                | 20,779             | -                        | 2,651,692         |
| Other instructional                  | -                 | -                  | -                | 1,558              | -                        | 1,558             |
| Community service activities         | 90                | 431,931            | -                | -                  | -                        | 432,021           |
| Other non-instructional              | -                 | -                  | -                | 68,297             | -                        | 68,297            |
| Building improvements                | -                 | -                  | 1,794,099        | -                  | -                        | 1,794,099         |
| Debt service                         | 106,629           | -                  | -                | -                  | 2,872,292                | 2,978,921         |
| <b>Total expenditures</b>            | <b>36,739,185</b> | <b>4,285,035</b>   | <b>1,794,099</b> | <b>1,095,500</b>   | <b>2,915,609</b>         | <b>46,829,428</b> |

Continued

**GRAVES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, continued**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | General             | Special<br>Revenue | Construction      | School<br>Activity | Nonmajor<br>Governmental | Total               |
|---|---------------------|--------------------|-------------------|--------------------|--------------------------|---------------------|
| Excess (deficit) of revenues<br>over (under) expenditures | (596,634)           | 344,818            | (1,784,728)       | 44,878             | 99,274                   | (1,892,392)         |
| <b>Other financing sources (uses)</b>                     |                     |                    |                   |                    |                          |                     |
| Proceeds from disposal of fixed assets                    | 24,117              | 84                 | -                 | -                  | -                        | 24,201              |
| Net bond proceeds   | -                   | -                  | 2,245,000         | -                  | -                        | 2,245,000           |
| Capital lease proceeds                                    | 393,879             | -                  | -                 | -                  | -                        | 393,879             |
| Transfers in  | 567,207             | 87,656             | -                 | -                  | 1,879,679                | 2,534,542           |
| Transfers (out)   | (87,655)            | (432,558)          | -                 | -                  | (1,879,679)              | (2,399,892)         |
| Total other financing sources (uses)                      | 897,548             | (344,818)          | 2,245,000         | -                  | -                        | 2,797,730           |
| Net changes in fund balances                              | 300,914             | -                  | 460,272           | 44,878             | 99,274                   | 905,338             |
| <b>Fund balances, beginning of year</b>                   | 1,994,945           | -                  | 219,915           | -                  | 218,261                  | 2,433,121           |
| Implementation of GASB 84 (Note 17)                       | -                   | -                  | -                 | 542,481            | -                        | 542,481             |
| <b>Fund balances, beginning of year, restated</b>         | 1,994,945           | -                  | 219,915           | 542,481            | 218,261                  | 2,975,602           |
| <b>Fund balances, end of year</b>                         | <u>\$ 2,295,859</u> | <u>\$ -</u>        | <u>\$ 680,187</u> | <u>\$ 587,359</u>  | <u>\$ 317,535</u>        | <u>\$ 3,880,940</u> |



**GRAVES COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in total fund balances per fund financial statements \$ 905,338

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, the costs of these assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

|                      |                    |         |
|----------------------|--------------------|---------|
| Capital outlay       | \$ 2,405,361       |         |
| Depreciation expense | <u>(2,111,488)</u> | 293,873 |

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold. (4,527)

Advance payments received in prior year from the Murray Head Start program are recorded as unearned revenue. 7,310

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.

|                                    |                  |          |
|------------------------------------|------------------|----------|
| Bond proceeds                      | (2,245,000)      |          |
| Capital lease proceeds             | (393,879)        |          |
| Bond premium/discount on new issue | 4,912            |          |
| Capital lease payments             | 244,714          |          |
| Bond payments                      | <u>2,360,000</u> | (29,253) |

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

These activities are:

|   |                |                  |
|---|----------------|------------------|
| OPEB related amounts                        | (1,077,862)    |                  |
| Pension related amounts                     | 44,074         |                  |
| Amortization of bond discount               | (7,256)        |                  |
| Amortization of gain/loss on debt refunding | (64,979)       |                  |
| Amortization of bond premium                | 1,231          |                  |
| Decrease in accrued interest payable        | 24,032         |                  |
| Decrease in compensated absences            | <u>609,395</u> | <u>(471,365)</u> |

Change in net position of governmental activities \$ 701,376

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

|   | School Food<br>Service | Day Care            | Total              |
|---|------------------------|---------------------|--------------------|
| <b>ASSETS</b>                                   |                        |                     |                    |
| Current assets                                  |                        |                     |                    |
| Cash and cash equivalents                       | \$ 1,374,593           | \$ -                | \$ 1,374,593       |
| Accounts receivable                             | 58,023                 | -                   | 58,023             |
| Inventory                                       | 54,822                 | -                   | 54,822             |
| Total current assets                            | <u>1,487,438</u>       | <u>-</u>            | <u>1,487,438</u>   |
| Noncurrent assets                               |                        |                     |                    |
| Capital assets                                  | 4,043,998              | 39,469              | 4,083,467          |
| Less: accumulated depreciation                  | <u>(2,102,668)</u>     | <u>(12,170)</u>     | <u>(2,114,838)</u> |
| Total noncurrent assets                         | <u>1,941,330</u>       | <u>27,299</u>       | <u>1,968,629</u>   |
| Total assets                                    | <u>3,428,768</u>       | <u>27,299</u>       | <u>3,456,067</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                        |                     |                    |
| OPEB  | 249,583                | 19,339              | 268,922            |
| Pension   | <u>474,459</u>         | <u>38,111</u>       | <u>512,570</u>     |
| Total deferred outflows of resources            | <u>724,042</u>         | <u>57,450</u>       | <u>781,492</u>     |
| <b>LIABILITIES</b>                              |                        |                     |                    |
| Current liabilities                             |                        |                     |                    |
| Interfund payable                               | -                      | 205,615             | 205,615            |
| Accounts payable                                | <u>9,389</u>           | <u>-</u>            | <u>9,389</u>       |
| Total current liabilities                       | <u>9,389</u>           | <u>205,615</u>      | <u>215,004</u>     |
| Noncurrent liabilities                          |                        |                     |                    |
| Compensated absences                            | 53,137                 | -                   | 53,137             |
| Net OPEB liability                              | 662,574                | 53,898              | 716,472            |
| Net pension liability                           | <u>2,706,222</u>       | <u>214,004</u>      | <u>2,920,226</u>   |
| Total noncurrent liabilities                    | <u>3,421,933</u>       | <u>267,902</u>      | <u>3,689,835</u>   |
| Total liabilities                               | <u>3,431,322</u>       | <u>473,517</u>      | <u>3,904,839</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                        |                     |                    |
| OPEB  | 275,230                | 20,288              | 295,518            |
| Pension   | <u>123,762</u>         | <u>9,173</u>        | <u>132,935</u>     |
| Total deferred inflows of resources             | <u>398,992</u>         | <u>29,461</u>       | <u>428,453</u>     |
| <b>NET POSITION</b>                             |                        |                     |                    |
| Invested in capital assets, net of related debt | 1,941,330              | 27,299              | 1,968,629          |
| Unrestricted                                    | <u>(1,618,834)</u>     | <u>(445,528)</u>    | <u>(2,064,362)</u> |
| Total net position                              | <u>\$ 322,496</u>      | <u>\$ (418,229)</u> | <u>\$ (95,733)</u> |

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | School Food<br>Service | Day Care            | Total              |
|--|------------------------|---------------------|--------------------|
| <b>OPERATING REVENUES</b>                |                        |                     |                    |
| Lunchroom sales                          | \$ 183,799             | \$ -                | \$ 183,799         |
| Childcare fees                           | -                      | 102,549             | 102,549            |
| Other revenue                            | 2,362                  | 8,242               | 10,604             |
| Total operating revenues                 | <u>186,161</u>         | <u>110,791</u>      | <u>296,952</u>     |
| <b>OPERATING EXPENSES</b>                |                        |                     |                    |
| Salaries and wages                       | 1,645,841              | 177,659             | 1,823,500          |
| Materials and supplies                   | 1,646,235              | 15,266              | 1,661,501          |
| Depreciation                             | 98,850                 | 7,894               | 106,744            |
| Contract services                        | 37,855                 | 1,569               | 39,424             |
| Other operating expenses                 | (4,750)                | -                   | (4,750)            |
| Total operating expenses                 | <u>3,424,031</u>       | <u>202,388</u>      | <u>3,626,419</u>   |
| Operating income (loss)                  | <u>(3,237,870)</u>     | <u>(91,597)</u>     | <u>(3,329,467)</u> |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                        |                     |                    |
| Federal grants                           | 2,660,322              | -                   | 2,660,322          |
| Donated commodities                      | 187,576                | -                   | 187,576            |
| State grants                             | 28,945                 | 29,257              | 58,202             |
| State on-behalf payments                 | 251,564                | 26,856              | 278,420            |
| Transfers In (out)                       | (143,650)              | 9,000               | (134,650)          |
| Gain (loss) on disposal of equipment     | (2,981)                | -                   | (2,981)            |
| Interest income                          | 33,567                 | -                   | 33,567             |
| Total non-operating revenues (expenses)  | <u>3,015,343</u>       | <u>65,113</u>       | <u>3,080,456</u>   |
| Change in net position                   | (222,527)              | (26,484)            | (249,011)          |
| <b>Net position, beginning of year</b>   | <u>545,023</u>         | <u>(391,745)</u>    | <u>153,278</u>     |
| <b>Net position, end of year</b>         | <u>\$ 322,496</u>      | <u>\$ (418,229)</u> | <u>\$ (95,733)</u> |

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | School Food<br>Service | Day Care        | Total               |
|--|------------------------|-----------------|---------------------|
| <b>Cash flows from operating activities</b>                        |                        |                 |                     |
| Cash received from   |                        |                 |                     |
| Lunchroom sales  | \$ 134,708             | \$ -            | \$ 134,708          |
| Childcare fees   |                        | 106,588         | 106,588             |
| Other activities   | 2,362                  | 8,242           | 10,604              |
| Cash paid to/for   |                        |                 |                     |
| Employees  | (1,210,345)            | (137,680)       | (1,348,025)         |
| Supplies   | (1,491,282)            | (13,838)        | (1,505,120)         |
| Other activities   | (33,106)               | (1,569)         | (34,675)            |
| <b>Net cash provided (used) by operating activities</b>            | <u>(2,597,663)</u>     | <u>(38,257)</u> | <u>(2,635,920)</u>  |
| <b>Cash flows from noncapital financing activities</b>             |                        |                 |                     |
| Operating transfers in (out)                                       | (143,650)              | 9,000           | (134,650)           |
| Government grants  | 2,689,267              | 29,257          | 2,718,524           |
| <b>Net cash provided (used) by noncapital financing activities</b> | <u>2,545,617</u>       | <u>38,257</u>   | <u>2,583,874</u>    |
| <b>Cash flows from investing activities</b>                        |                        |                 |                     |
| Purchase of fixed assets   | (22,978)               | -               | (22,978)            |
| Receipt of interest income   | 33,567                 | -               | 33,567              |
| <b>Net cash provided (used) by investing activities</b>            | <u>10,589</u>          | <u>-</u>        | <u>10,589</u>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>        | (41,457)               | -               | (41,457)            |
| <b>Cash and cash equivalents, beginning of year</b>                | <u>1,416,050</u>       | <u>-</u>        | <u>1,416,050</u>    |
| <b>Cash and cash equivalents, end of year</b>                      | <u>\$ 1,374,593</u>    | <u>\$ -</u>     | <u>\$ 1,374,593</u> |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS, continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | School Food<br>Service | Day Care           | Total                 |
|---|------------------------|--------------------|-----------------------|
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>        |                        |                    |                       |
| Operating income (loss)   | \$ (3,237,870)         | \$ (91,597)        | \$ (3,329,467)        |
| <b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b> |                        |                    |                       |
| Depreciation  | 98,850                 | 7,894              | 106,744               |
| Donated commodities   | 187,576                | -                  | 187,576               |
| State on-behalf payments  | 251,564                | 26,856             | 278,420               |
| Changes in assets and liabilities   |                        |                    |                       |
| Deferred pension and postemployment benefits amounts  | 195,358                | 13,123             | 208,481               |
| Accounts receivable   | (49,091)               | 4,039              | (45,052)              |
| Inventory   | (41,378)               | -                  | (41,378)              |
| Compensated absences  | (11,426)               | -                  | (11,426)              |
| Interfund payable   | -                      | 1,428              | 1,428                 |
| Accounts payable  | 8,754                  | -                  | 8,754                 |
|   | <b>\$ (2,597,663)</b>  | <b>\$ (38,257)</b> | <b>\$ (2,635,920)</b> |
| <b>Net cash provided (used) by operating activities</b>   |                        |                    |                       |
| <b>Schedule of non-cash transactions</b>  |                        |                    |                       |
| Donated commodities received from federal government  | \$ 187,576             | \$ -               | \$ 187,576            |
| On-behalf payments  | 251,564                | 26,856             | 278,420               |

See accompanying notes to financial statements

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2020**

|                           | <u>Private<br/>Purpose<br/>Trust Funds</u>          |
|---------------------------|---|
| <b>ASSETS</b>             |   |
| Cash and cash equivalents | <u>\$          161,413</u>                          |
| Total assets              | <u>                  161,413</u>                    |
| <br>                      |   |
| <b>LIABILITIES</b>        |   |
| Accounts payable          | <u>                  1,089</u>                      |
| Total liabilities         | <u>                  1,089</u>                      |
| <br>                      |   |
| <b>NET POSITION</b>       | <u><u>                  \$          160,324</u></u> |

See accompanying notes to financial statements



**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | Private<br>Purpose<br>Trust<br>Funds |
|--|--------------------------------------|
| <b>Additions</b>                       |                                      |
| Interest income                        | \$ 1,814                             |
| Contributions received                 | 146,997                              |
| Total additions                        | 148,811                              |
| <b>Deductions</b>                      |                                      |
| Community services                     | 167,244                              |
| Total deductions                       | 167,244                              |
| Change in net position                 | (18,433)                             |
| <b>Net position, beginning of year</b> | 178,757                              |
| <b>Net position, end of year</b>       | \$ 160,324                           |

**NOTES TO FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Graves County School District (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Graves County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental “reporting entity”. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the District, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

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

Graves County School District Finance Corporation - In 1993, the Graves County, Kentucky, Board of Education resolved to authorize the establishment of the Graves County School District Finance corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Graves County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid “doubling up” revenues and expenses.

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

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

**Fund Financial Statements**

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

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state and county grants and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments 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. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10.00% of total for the relevant fund category and at least 5.00% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**Governmental Funds**

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *General Fund* is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue (Grant) Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Fund*. This is a major fund of the District.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan.

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

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

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The funds' principal operating revenues are food service charges and day care fees. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

The *Day Care Fund* accounts for the day care operations of the District.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

The *Private Purpose Trust Fund* is used to report trust arrangements which benefit individuals, private organizations or other governments.

Basis of Accounting

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

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Revenue Recognition

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. “Available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means expected to be received within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2020, to finance the General Fund operations were \$.448 per \$100 valuation for real property, \$.448 per \$100 valuation for business tangible personal property, and \$.464 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3.00% of the gross receipts derived from furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2020. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statements of cash flows, the District also considers all investments with a maturity of three months or less when purchased to be cash equivalents.



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Prepaid Expenditures

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Inventories

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method, and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

Interfund Activity

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables, as appropriate, and are referred to as either "due to/from other funds". These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Capital Assets

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

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

| <u>Description</u>         | <u>Estimated Lives<br/>for Depreciation</u> |
|----------------------------|---|
| Buildings and improvements | 25-50 years                                 |
| Land improvements          | 20 years                                    |
| Technology equipment       | 5 years                                     |
| Vehicles                   | 5-10 years                                  |
| Food service equipment     | 12 years                                    |
| General equipment          | 10-20 years                                 |

**Accrued Liabilities and Long-term Obligations**

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

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

**Debt Premiums and Discounts**

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Pensions and Postemployment Benefits

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teacher's Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10, the OPEB liability described in Note 11 and the deferred amount on refunding of debt described in Note 4.

In addition to liabilities, the statement of net position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10 and the OPEB liability described in Note 11.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education’s formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District’s policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed, assigned and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through December 14, 2020, which is the date the financial statements were available to be issued.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

As fiscal year-end, the carrying amount of the District's deposits was \$4,235,016 and the bank balance was \$4,296,442. Of the District's bank balance, \$3,796,442 was collateralized as discussed above because it was uninsured, while \$500,000 was covered by Federal Deposit Insurance.

The carrying amounts are reflected in the financial statements as follows:

|  |                     |
|--|---------------------|
| Reconciliation to Government-wide Statement of Net Position: |                     |
| Unrestricted cash  | \$ 4,073,603        |
| Private purpose trust funds                                  |                     |
| cash (not included in government-wide statement)             | <u>161,413</u>      |
|  | <u>\$ 4,235,016</u> |

|  |                     |
|--|---------------------|
| These amounts are reported in the financial statements as follows: |                     |
| Governmental activities  | \$ 2,699,010        |
| Business-type activities   | 1,374,593           |
| Private purpose trust funds  | <u>161,413</u>      |
|  | <u>\$ 4,235,016</u> |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2020, was as follows:

| <u>Governmental Activities</u>                  | Balance<br>July 1, 2019 | Additions          | Deductions      | Balance<br>June 30, 2020 |
|---|-------------------------|--------------------|-----------------|--------------------------|
| Capital assets not depreciated                  |                         |                    |                 |                          |
| Land  | \$ 1,482,708            | \$ -               | \$ -            | \$ 1,482,708             |
| Construction in progress                        | -                       | 1,754,706          | -               | 1,754,706                |
| Total non depreciable historical cost           | <u>1,482,708</u>        | <u>1,754,706</u>   | <u>-</u>        | <u>3,237,414</u>         |
| Capital assets depreciated                      |                         |                    |                 |                          |
| Land improvements                               | 164,075                 | -                  | -               | 164,075                  |
| Buildings and improvements                      | 59,890,438              | 36,429             | -               | 59,926,867               |
| Technology equipment                            | 559,470                 | 6,200              | 280,815         | 284,855                  |
| Vehicles  | 6,837,808               | 183,812            | 366,204         | 6,655,416                |
| General equipment                               | 3,231,350               | 30,335             | 65,271          | 3,196,414                |
| Land infrastructure                             | 107,843                 | -                  | -               | 107,843                  |
| Technology equipment under capital lease        | 662,199                 | 393,879            | -               | 1,056,078                |
| Total depreciable historical cost               | <u>71,453,183</u>       | <u>650,655</u>     | <u>712,290</u>  | <u>71,391,548</u>        |
| Less: accumulated depreciation                  |                         |                    |                 |                          |
| Land improvements                               | 95,611                  | 8,204              | -               | 103,815                  |
| Buildings and improvements                      | 20,932,439              | 1,449,718          | -               | 22,382,157               |
| Technology equipment                            | 548,528                 | 3,697              | 280,815         | 271,410                  |
| Vehicles  | 5,401,863               | 325,010            | 364,761         | 5,362,112                |
| General equipment                               | 2,817,861               | 74,042             | 62,187          | 2,829,716                |
| Land infrastructure                             | 58,677                  | 5,392              | -               | 64,069                   |
| Technology equipment under capital lease        | 197,893                 | 245,425            | -               | 443,318                  |
| Total accumulated depreciation                  | <u>30,052,872</u>       | <u>2,111,488</u>   | <u>707,763</u>  | <u>31,456,597</u>        |
| Total depreciable cost - net                    | <u>41,400,311</u>       | <u>(1,460,833)</u> | <u>4,527</u>    | <u>39,934,951</u>        |
| Governmental activities<br>capital assets - net | <u>\$ 42,883,019</u>    | <u>\$ 293,873</u>  | <u>\$ 4,527</u> | <u>\$ 43,172,365</u>     |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

| Governmental Activities         |                     |
|---------------------------------|---------------------|
| Instruction                     | \$ 1,743,623        |
| Support services                |                     |
| Student                         | 267                 |
| Instructional staff             | 2,121               |
| District administration         | 27,808              |
| School administration           | 4,040               |
| Business                        | -                   |
| Plant operation and maintenance | 23,778              |
| Student transportation          | 309,549             |
| Community service activities    | 302                 |
|                                 | <u>\$ 2,111,488</u> |

| Business-type Activities                          | Balance<br>July 1, 2019 | Additions          | Deductions      | Balance<br>June 30, 2020 |
|---|-------------------------|--------------------|-----------------|--------------------------|
| Capital assets depreciated                        |                         |                    |                 |                          |
| Buildings and improvements                        | \$ 3,034,646            | \$ -               | \$ -            | \$ 3,034,646             |
| Technology equipment                              | 13,184                  | -                  | 594             | 12,590                   |
| General equipment                                 | 1,069,376               | 22,978             | 56,124          | 1,036,230                |
|   | <u>4,117,206</u>        | <u>22,978</u>      | <u>56,718</u>   | <u>4,083,466</u>         |
| Total depreciable historical cost                 |                         |                    |                 |                          |
| Less: accumulated depreciation                    |                         |                    |                 |                          |
| Buildings and improvements                        | 1,179,530               | 60,695             | -               | 1,240,225                |
| Technology equipment                              | 13,184                  | -                  | 594             | 12,590                   |
| General equipment                                 | 869,114                 | 46,051             | 53,143          | 862,022                  |
|   | <u>2,061,828</u>        | <u>106,746</u>     | <u>53,737</u>   | <u>2,114,837</u>         |
| Total accumulated depreciation                    |                         |                    |                 |                          |
| Business-type activities,<br>capital assets - net | <u>\$ 2,055,378</u>     | <u>\$ (83,768)</u> | <u>\$ 2,981</u> | <u>\$ 1,968,629</u>      |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – LONG-TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District’s future obligations to make payments related to school building revenue bonds issued by the Graves County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected in the fund financial statements.

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u>   | <u>Balance<br/>June 30, 2020</u> |
|-------------------|-----------------|----------------|----------------------------------|
| 2011              | \$ 10,965,000   | 2.00% - 3.125% | \$ 3,770,000                     |
| 2013              | 8,395,000       | 1.20% - 4.00%  | 5,275,000                        |
| 2014              | 9,135,000       | 1.00% - 3.55%  | 7,850,000                        |
| 2015              | 1,620,000       | .45% - 2.10%   | 1,000,000                        |
| 2020              | 2,245,000       | 3.00% - 3.375% | 2,245,000                        |

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

In 1986, the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

Changes in the bond issues during the year are summarized below:

| <u>Issue</u> | <u>Balance at<br/>July 1, 2019</u> | <u>New Issues</u>   | <u>Retirements</u>  | <u>Balance at<br/>June 30, 2020</u> |
|--------------|------------------------------------|---------------------|---------------------|-------------------------------------|
| 2009         | \$ 185,000                         | \$ -                | \$ 185,000          | \$ -                                |
| 2011         | 4,970,000                          | -                   | 1,200,000           | 3,770,000                           |
| 2013         | 5,790,000                          | -                   | 515,000             | 5,275,000                           |
| 2014         | 8,155,000                          | -                   | 305,000             | 7,850,000                           |
| 2015         | 1,155,000                          | -                   | 155,000             | 1,000,000                           |
| 2020         | -                                  | 2,245,000           | -                   | 2,245,000                           |
|              | <u>\$ 20,255,000</u>               | <u>\$ 2,245,000</u> | <u>\$ 2,360,000</u> | <u>\$ 20,140,000</u>                |



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

The bonds may be called prior to maturity, and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020 for debt service (principal and interest) are as follows:

|           | Graves County<br>School District |                     | School Facilities<br>Construction Commission |                     | Total                |                     |
|-----------|----------------------------------|---------------------|--|---------------------|----------------------|---------------------|
|           | Principal                        | Interest            | Principal                                    | Interest            | Principal            | Interest            |
| 2021      | \$ 1,631,556                     | \$ 387,510          | \$ 633,444                                   | \$ 214,956          | \$ 2,265,000         | \$ 602,466          |
| 2022      | 1,687,939                        | 344,878             | 647,061                                      | 201,339             | 2,335,000            | 546,217             |
| 2023      | 1,751,453                        | 296,863             | 663,547                                      | 184,855             | 2,415,000            | 481,718             |
| 2024      | 623,536                          | 245,660             | 581,464                                      | 167,820             | 1,205,000            | 413,480             |
| 2025      | 647,782                          | 229,375             | 597,218                                      | 152,067             | 1,245,000            | 381,442             |
| 2026-2030 | 3,447,345                        | 843,713             | 2,632,655                                    | 493,418             | 6,080,000            | 1,337,131           |
| 2031-2035 | 3,047,742                        | 327,843             | 1,257,258                                    | 174,794             | 4,305,000            | 502,637             |
| 2036-2040 | 34,112                           | 3,387               | 255,888                                      | 26,482              | 290,000              | 29,869              |
|           | <u>\$ 12,871,465</u>             | <u>\$ 2,679,229</u> | <u>\$ 7,268,535</u>                          | <u>\$ 1,615,731</u> | <u>\$ 20,140,000</u> | <u>\$ 4,294,960</u> |

Changes in the long-term liability accounts during the year are summarized below:

|                             | Balance<br>July 1, 2019 | New<br>Issues/<br>Adjustments | Debt<br>Payments/<br>Refunds | Balance<br>June 30, 2020 | Due within<br>One Year |
|-----------------------------|-------------------------|-------------------------------|------------------------------|--------------------------|------------------------|
| Bonds payable               |                         |                               |                              |                          |                        |
| Revenue bonds               | \$ 20,255,000           | \$ 2,245,000                  | \$ 2,360,000                 | \$ 20,140,000            | \$ 2,265,000           |
| Premium on bond issue       | (85,443)                | (4,912)                       | (6,025)                      | (84,330)                 | -                      |
| Capital lease obligation    | 445,931                 | 393,879                       | 244,714                      | 595,096                  | 237,166                |
| Total bonds payable         | <u>20,615,488</u>       | <u>2,633,967</u>              | <u>2,598,689</u>             | <u>20,650,766</u>        | <u>2,502,166</u>       |
| Other liabilities           |                         |                               |                              |                          |                        |
| Compensated absences        |                         |                               |                              |                          |                        |
| Governmental                | 908,634                 | 37,716                        | 647,111                      | 299,239                  | 20,239                 |
| Business-type               | 64,563                  | 12,794                        | 24,220                       | 53,137                   | -                      |
| Insurance assessment        | 91,642                  | -                             | 45,821                       | 45,821                   | 45,821                 |
| Net OPEB liability          | 14,306,857              | -                             | 2,065,570                    | 12,241,287               | -                      |
| Net pension liability       | 14,835,861              | 749,506                       | -                            | 15,585,367               | -                      |
| Total other liabilities     | <u>30,207,557</u>       | <u>800,016</u>                | <u>2,782,722</u>             | <u>28,224,851</u>        | <u>66,060</u>          |
| Total long-term liabilities | <u>\$ 50,823,045</u>    | <u>\$ 3,433,983</u>           | <u>\$ 5,381,411</u>          | <u>\$ 48,875,617</u>     | <u>\$ 2,568,226</u>    |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

Amortized premium on bond issue are amortized over the life of the bond and for financial statement purposes, are netted against the related bond account. Estimate future amortization for the succeeding five years is as follows:

| <u>Year<br/>Ended</u> |                         |
|-----------------------|-------------------------|
| 2020                  | \$ 6,025                |
| 2021                  | 6,025                   |
| 2022                  | 6,025                   |
| 2023                  | 6,025                   |
| 2024                  | 6,025                   |
| Thereafter            | <u>\$ 54,205</u>        |
|                       | <u><u>\$ 84,330</u></u> |

**NOTE 5 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated the amount for governmental activities will be approximately \$299,239 with \$20,239 considered the short-term portion. Management has estimated the amount for business-type activities will be approximately \$53,137 with \$0 considered the short-term portion.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 – FUND BALANCE REPORTING**

The following is a summary of designations of Fund Balance at June 30, 2020:

|                          | <u>General</u>      | <u>Construction</u> | <u>Special<br/>Revenue</u> | <u>Other<br/>Governmental</u> | <u>Total</u>        |
|--------------------------|---------------------|---------------------|----------------------------|-------------------------------|---------------------|
| Nonspendable             | \$ -                | \$ -                | \$ -                       | \$ -                          | \$ -                |
| Restricted               |                     |                     |                            |                               |                     |
| Capital Outlay Fund      | -                   | -                   | -                          | 234,006                       | 234,006             |
| Construction Fund        | -                   | 680,187             | -                          | -                             | 680,187             |
| District Activity Fund   | -                   | -                   | -                          | 83,529                        | 83,529              |
| School Activity Fund     | -                   | -                   | -                          | 587,359                       | 587,359             |
| Assigned                 |                     |                     |                            |                               |                     |
| Site based carry forward | 202,995             | -                   | -                          | -                             | 202,995             |
| Committed                |                     |                     |                            |                               |                     |
| Sick leave               | 186,000             | -                   | -                          | -                             | 186,000             |
| Unassigned               | <u>1,906,864</u>    | <u>-</u>            | <u>-</u>                   | <u>-</u>                      | <u>1,906,864</u>    |
|                          | <u>\$ 2,295,859</u> | <u>\$ 680,187</u>   | <u>\$ -</u>                | <u>\$ 904,894</u>             | <u>\$ 3,880,940</u> |

**NOTE 7 – TRANSFER OF FUNDS**

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u>  | <u>Purpose</u>         | <u>Amount</u>       |
|------------------|-----------------|------------------------|---------------------|
| General          | Special Revenue | Matching funds         | \$ 87,656           |
| Special Revenue  | General         | Indirect cost transfer | 423,557             |
| Special Revenue  | Daycare         | COVID                  | 9,000               |
| Food Service     | General         | Indirect cost transfer | 143,650             |
| Capital Outlay   | Debt Service    | Debt payments          | <u>1,879,679</u>    |
|                  |                 |                        | <u>\$ 2,543,542</u> |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 – NET POSITION DEFICIT BALANCE/EXCEEDING BUDGET**

There are no funds in the District that currently have a deficit balance.

The Day Care Fund has a deficit balance of \$(418,229). Excluding the effect on net position of GASB 68 related pension accounts and of GASB 75 related OPEB accounts of \$(239,913), Day Care Fund has a net position of (\$178,316).

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Although the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund indicates the actual expenditures exceeded the budget by about \$76,066, when comparing the project-to-date to the budget, none have expenditures that exceed the budget. This is because most grants either overlap fiscal years or allow a carryforward of a certain percentage of funds to the subsequent fiscal year. The budget is entered at the beginning of the project. In years where there are cuts to grant funds, the budget amounts for that particular year could be less because of spending funds from the prior year's budget which was higher.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2020:

|   |                             |
|---|-----------------------------|
| Health insurance                                | \$ 4,840,204                |
| Life insurance                                  | 7,281                       |
| Administrative fee                              | 60,134                      |
| Health reimbursement account- HRA/dental/vision | <u>225,754</u>              |
|   | 5,133,373                   |
| Federal reimbursements of health benefits       | <u>(182,043)</u>            |
|   | 4,951,330                   |
| Kentucky Teacher's Retirement System            | 6,015,035                   |
| Technology                                      | 104,058                     |
| SFCC debt service                               | <u>992,613</u>              |
|   | <u><u>\$ 12,063,036</u></u> |

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues, and the applicable expenditure functions in these financial statements as follows:

|                          |                             |
|--------------------------|-----------------------------|
| Governmental activities  |                             |
| General Fund             | \$ 10,792,003               |
| Debt Service Fund        | 992,613                     |
| Business-type activities |                             |
| Day Care Fund            | 26,856                      |
| Food Service Fund        | <u>251,564</u>              |
|                          | <u><u>\$ 12,063,036</u></u> |

**NOTE 10 – PENSION PLANS**

The District participates in the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers' Retirement System of the State of Kentucky (KTRS), a blended unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

**General information about the County Employees Retirement System Non-Hazardous (“CERS”)**

Plan description – The Board contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city and school board and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Benefits provided – CERS provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5.00% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

|        |  |  |
|--------|--|--|
| Tier 1 | Participation date<br>Unreduced retirement<br>Reduced retirement<br><br>Required contributions | Before September 1, 2008<br>27 years’ service or 65 years old<br>At least 5 years’ service and 55 years old<br>At least 25 years’ service and any age<br>5.00%   |
| Tier 2 | Participation date<br>Unreduced retirement<br><br>Reduced retirement<br>Required contributions | September 1, 2008 – December 31, 2013<br>At least 5 years’ service and 65 years old<br>or age 57+ and sum of service years plus age equal 87<br>At least 10 years’ service and 60 years old<br>5.00% + 1.00% for insurance |
| Tier 3 | Participation date<br>Unreduced retirement<br><br>Reduced retirement<br>Required contributions | After December 31, 2013<br>At least 5 years’ service and 65 years old<br>or age 57+ and sum of service years plus age equal 87<br>Not available<br>5.00% + 1.00% for insurance   |

*Contributions* – Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contributions and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2019 and 2018, participating employers contributed 16.22% and 14.48%, respectively, of each employee’s creditable compensation. The actuarially determined rates set by the KRS Board of Trustees for the fiscal years June 30, 2019 and 2018 were 16.22% and 14.48%, respectively.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

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

At June 30, 2020, The District reported a liability of \$15,585,367 for its proportionate share of the net pension liability. The net pension liability of the plan was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability was based on the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.221602.

For the year ended June 30, 2020, the District recognized pension expense of \$2,482,817. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 397,941                                    | 65,852                                       |
| Change of assumptions  | 1,577,416                                     | -  |
| Net differences between projected and actual earnings on pension plan investments                            | 299,178                                       | 550,421                                      |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 42,002  | 823,004                                      |
| District contributions subsequent to the measurement date  | <u>1,069,186</u>                              | <u>-</u>                                     |
| Total  | <u><u>\$ 3,385,723</u></u>                    | <u><u>\$ 1,439,277</u></u>                   |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

The amount of \$1,069,186 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

| Years<br>Ending<br>June 30 |                   |
|----------------------------|-------------------|
| 2020                       | \$ 785,150        |
| 2021                       | 53,659            |
| 2022                       | 20,627            |
| 2023                       | 17,824            |
| 2024                       | -                 |
| Thereafter                 | <u>-</u>          |
| Total                      | <u>\$ 877,260</u> |

*Actuarial assumptions* – The total pension liability, net pension liability and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2018) to the plan’s fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018, which were used to determine the total pension liability as follows:

|   |                                    |
|---|------------------------------------|
| Inflation   | 2.30%                              |
| Projected salary increases  | 3.30% to 10.30%, varies by service |
| Investment rate of return, net of<br>investment expense and inflation | 6.25%                              |
| Payroll growth rate   | 2.00%                              |

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Long-term rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class          | Target<br>Allocation | Long-term Expected<br>Real Rate of Return |
|----------------------|----------------------|---|
| US equity            | 18.75%               | 4.30%                                     |
| International equity | 18.75%               | 4.80%                                     |
| Core bonds           | 13.50%               | 1.35%                                     |
| High yield           | 15.00%               | 2.60%                                     |
| Opportunistic        | 3.00%                | 2.97%                                     |
| Real estate          | 5.00%                | 4.85%                                     |
| Real return          | 15.00%               | 4.10%                                     |
| Private equity       | 10.00%               | 6.65%                                     |
| Cash                 | 1.00%                | 2.00%                                     |
| <br>Total            | <br><u>100.0%</u>    |   |

*Discount rate* – The discount rates used to measure the total pension liability for the measurement periods with years ended June 30, 2019 and 2018 were 6.25% and 6.25%, respectively. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determinations do not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

*Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate* – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by the pension system, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

|  | 1% Decrease   | Current Discount<br>Rate | 1% Increase   |
|--|---------------|--------------------------|---------------|
|  | <u>5.25%</u>  | <u>6.25%</u>             | <u>7.25%</u>  |
| District's proportionate share<br>of net pension liability | \$ 19,492,874 | \$ 15,585,367            | \$ 12,328,498 |

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

*Payable to the pension plan* – At June 30, 2020, the District reported a payable of \$133,906 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

**General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")**

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

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

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

Participants who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.00% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.50% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.50% to 3.00% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System effective July 1, 2015.

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member’s request.

At June 30, 2020, the amount recognized by the District as it’s proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

|  |                      |
|--|----------------------|
| Commonwealth's proportionate share of KTRS net<br>pension liability associated with the District | <u>\$ 74,401,747</u> |
|  | <u>\$ 74,401,747</u> |

The net pension liability was measured as of June 30, 2020 is based on the June 30, 2018 actuarial valuation as rolled forward to the plan’s fiscal year-end of June 30, 2019 using generally accepted actuarial principles.

For the year ended June 30, 2020, the District recognized pension expense of \$7,778,167 and revenue of \$7,778,167 for support provided by the State.

*Actuarial assumptions*

|                               |  |
|-------------------------------|--|
| Valuation date                | June 30, 2018  |
| Experience study              | July 1, 2020 - June 30, 2015                                       |
| Actuarial cost method         | Entry age  |
| <i>Actuarial assumptions:</i> |  |
| Investment rate of return     | 7.50%, net of pension plan investment expense, including inflation |
| Projected salary increases    | 3.50% - 7.30%, including inflation                                 |
| Inflation rate                | 3.00%  |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (set forward two years for males and one year for females).

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – PENSION PLANS, continued**

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

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|---|
| US equity             | 40.00%                   | 4.20%   |
| International equity  | 22.00%                   | 5.20%   |
| Fixed income          | 15.00%                   | 1.20%   |
| Additional categories | 8.00%                    | 3.30%   |
| Real estate           | 6.00%                    | 3.80%   |
| Private equity        | 7.00%                    | 6.30%   |
| Cash                  | 2.00%                    | 0.90%   |
| Total                 | <u>100.0%</u>            |   |

*Discount rate* – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at actuarially determined contribution rates, adjusted by 95.00%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of KTRS.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

*Plan description* – County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate. The District participates in the Non-Hazardous plan. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

*Benefits provided* – The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide healthcare benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

*Contributions* – Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2020, required contributions were 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2020 was \$263,696. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 and Tier 3 of the CERS plan members contribute 1.00% of creditable compensation to an account created for the payment of health insurance benefits.

*Implicit subsidy* – The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the District reported a liability of \$3,726,287 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year-end, June 30, 2019, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion for was 0.221545%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$340,962.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ -                                 | \$ 1,124,307                        |
| Changes of assumptions  | 1,102,643                            | 7,373                               |
| Net difference between projected and actual earnings on OPEB plan investments                                 | 24,545                               | 190,050                             |
| Changes in proportion and differences between District contributions and proportionate share of contributions | -                                    | 351,262                             |
| District contributions subsequent to the measurement date   | 263,696                              | -                                   |
| Total   | \$ 1,390,884                         | \$ 1,672,992                        |

For the year ended June 30, 2020, \$263,696 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years<br>Ending<br>June 30 |              |
|----------------------------|--------------|
| 2020                       | \$ (95,460)  |
| 2021                       | (95,460)     |
| 2022                       | (42,839)     |
| 2023                       | (143,491)    |
| 2024                       | (138,320)    |
| Thereafter                 | (30,234)     |
| Total                      | \$ (545,804) |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Actuarial assumptions* –The total OPEB liability actuarial valuation were determined using the following actuarial methods and assumptions:

|                                       |  |
|---------------------------------------|--|
| Valuation date                        | June 30, 2018  |
| Payroll growth rate                   | 2.00%  |
| Inflation                             | 2.30%  |
| Salary increase                       | 3.30% to 10.30%, varies by service   |
| Investment rate of return             | 6.25%  |
| Healthcare cost trend rates (pre-65)  | Initial trend starting at 7.25% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years |
| Healthcare cost trend rates (post-65) | Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years |

The mortality table for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50.00% and female mortality rates are multiplied by 30.00%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years) is used for the period after disability retirement.

*Long-term expected rate of return* – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected<br/>Nominal Return</u> |
|----------------------|------------------------------|--|
| US equity            | 18.75%                       | 4.30%  |
| International equity | 18.75%                       | 4.80%  |
| Core bonds           | 13.50%                       | 1.35%  |
| High yield           | 15.00%                       | 2.60%  |
| Opportunistic        | 3.00%                        | 2.97%  |
| Real estate          | 5.00%                        | 4.85%  |
| Real return          | 15.00%                       | 4.10%  |
| Private equity       | 10.00%                       | 6.65%  |
| Cash                 | 1.00%                        | 0.20%  |
| <br>Total            | <br><u><u>100.00%</u></u>    |  |

*Discount rate* – The discount rates used to measure the total OPEB liability for the years ended June 30, 2020 and 2019 were 5.68% and 5.85% for non-hazardous and 5.69% and 5.97% for hazardous, respectively, assuming that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The single discount rates were based on the expected rates of return on the OPEB plan investments for the years ended June 30, 2020 and 2019 of 6.25% and 6.25%, and municipal bond rates of 3.13% and 3.62%, respectively, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Board’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Board’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate* – The following presents the Board’s proportionate share of the net OPEB liability, as well as what the Board’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% for hazardous) or 1-percentage-point higher (6.69% for non-hazardous and 6.69% for hazardous) than the current rate:

|   | <u>1%<br/>Decrease<br/>4.68%</u> | <u>Current<br/>Discount<br/>Rate<br/>5.68%</u> | <u>1%<br/>Increase<br/>6.68%</u> |
|---|----------------------------------|--|----------------------------------|
| District's proportionate share<br>of net OPEB liability | \$ 4,991,692                     | \$ 3,726,287                                   | \$ 2,683,678                     |



**GRAVES COUNTY SCHOOL DISTRICT  
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JUNE 30, 2020**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates* – The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|   | 1%<br>Decrease | Current<br>Healthcare<br>Cost<br>Trend Rate | 1%<br>Increase |
|---|----------------|---|----------------|
| District's proportionate share<br>of net OPEB liability | \$ 2,771,259   | \$ 3,726,287                                | \$ 4,884,372   |

*Pension plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Payable to the OPEB plan* – At June 30, 2020, the District reported a payable of \$33,026 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2020.

**General Information about the Teachers' Retirement System of Kentucky (KTRS) OPEB Plan**

*Plan description* – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and, therefore, is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources, deferred inflows of resources and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**GRAVES COUNTY SCHOOL DISTRICT  
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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Contributions* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the District reported a liability of \$8,515,000 for its proportionate share of the net OPEB liability the reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was 0.290950%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

|  |                             |
|--|-----------------------------|
| District's proportionate share of net OPEB liability                           | \$ 8,515,000                |
| State's proportionate share of net OPEB liability associated with the District | <u>6,877,000</u>            |
| Total  | <u><u>\$ 15,392,000</u></u> |

For the year ended June 30, 2020, the District recognized OPEB expense of \$306,000 and revenue of \$62,000 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ -                                 | \$ 2,061,000                        |
| Changes of assumptions  | 226,000                              | -                                   |
| Net difference between projected and actual earnings on OPEB plan investments                                 | 36,000                               | -                                   |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 100,000                              | 357,000                             |
| District contributions subsequent to the measurement date   | 729,044                              | -                                   |
| <b>Total</b>  | <b>\$ 1,091,044</b>                  | <b>\$ 2,418,000</b>                 |

Of the total amount reported as deferred outflows of resources related to OPEB, \$729,044 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years<br>Ending<br>June 30 |    |             |
|----------------------------|----|-------------|
| 2020                       | \$ | (397,000)   |
| 2021                       |    | (397,000)   |
| 2022                       |    | (378,000)   |
| 2023                       |    | (382,000)   |
| 2024                       |    | (315,000)   |
| Thereafter                 |    | (187,000)   |
| Total                      | \$ | (2,056,000) |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Actuarial assumptions* – The total KTRS OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

|                                 |   |
|---------------------------------|---|
| Investment rate of return       | 8.00%, net of OPEB plan investment expense, including inflation         |
| Projected salary increases      | 3.50-7.20%, including inflation   |
| Inflation rate                  | 3.00%   |
| Real wage growth                | 0.50%   |
| Wage inflation                  | 3.50%   |
| Healthcare cost trend rates     |   |
| Under 65                        | 7.50% for FY 2019 decreasing to an ultimate rate of 5.00%<br>by FY 2024 |
| Ages 65 and older               | 5.50% for FY 2019 decreasing to an ultimate rate of 5.00%<br>by FY 2021 |
| Municipal bond index rate       | 3.50%   |
| Discount rate                   | 8.00%   |
| Single equivalent interest rate | 8.00%, net of OPEB plan investment expense, including inflation         |

Mortality rates based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2018 valuation were based on the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions (e.g. initial per capita costs, healthcare cost trends) used in the June 30, 2018 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation. The healthcare cost trend assumption was updated for the June 30, 2018 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

| <u>Asset Class</u>          | <u>Target<br/>Allocation</u> | <u>30 Year Expected<br/>Geometric Real<br/>Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Global equity               | 58.00%                       | 5.10%   |
| Fixed income                | 9.00%                        | 1.20%   |
| Real estate                 | 6.50%                        | 3.80%   |
| Private equity              | 8.50%                        | 6.30%   |
| Other additional categories | 17.00%                       | 3.20%   |
| Cash (LIBOR)                | 1.00%                        | 0.90%   |
| <b>Total</b>                | <b>100.00%</b>               |   |

*Discount rate* – The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2018. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to be depleted.

*Sensitivity of the District’s proportionate share of the collective net OPEB liability to changes in the discount rate* – The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

|   | <u>1%<br/>Decrease<br/>7.00%</u> | <u>Current<br/>Discount<br/>Rate<br/>8.00%</u> | <u>1%<br/>Increase<br/>9.00%</u> |
|---|----------------------------------|--|----------------------------------|
| District’s proportionate share<br>of net OPEB liability | \$ 10,088,000                    | \$ 8,515,000                                   | \$ 7,199,000                     |

*Sensitivity of the District’s proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|   | <u>1%<br/>Decrease</u> | <u>Current<br/>Healthcare<br/>Cost<br/>Trend Rate</u> | <u>1%<br/>Increase</u> |
|---|------------------------|---|------------------------|
| District’s proportionate share<br>of net OPEB liability | \$ 6,932,000           | \$ 8,515,000  | \$ 10,463,000          |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Pension plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

**Life Insurance Plan**

*Plan description – Life Insurance Plan* – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits provided* – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

*Contributions* – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

| KTRS  | Life Insurance<br>Fund |
|---|------------------------|
| District's proportionate share of the net OPEB liability                              | \$ -                   |
| State's proportionate share of the net OPEB liability<br>associated with the District | 160,000                |
| Total   | \$ 160,000             |

For the year ended June 30, 2020, the District (Plan) recognized OPEB expense of \$0 and revenue of \$0 for support provided by the State.

*Actuarial assumptions* – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                 |   |
|---------------------------------|---|
| Investment rate of return       | 7.50%, net of OPEB plan investment expense, including inflation |
| Projected salary increases      | 3.50% - 7.20%, including inflation                              |
| Inflation rate                  | 3.00%   |
| Real wage growth                | 0.50%   |
| Wage inflation                  | 3.50%   |
| Municipal bond index rate       | 3.50%   |
| Discount rate                   | 7.50%   |
| Single equivalent interest rate | 7.50%, net of OPEB plan investment expense, including inflation |

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

Mortality rates based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2018 valuation were based on the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

| <u>Asset Class</u>          | <u>Target<br/>Allocation</u> | <u>30 Year<br/>Expected<br/>Geometric Real<br/>Rate of Return</u> |
|-----------------------------|------------------------------|---|
| U.S. equity                 | 40.00%                       | 4.30%   |
| International equity        | 23.00%                       | 5.20%   |
| Fixed income                | 18.00%                       | 1.20%   |
| Real estate                 | 6.00%                        | 3.80%   |
| Private equity              | 5.00%                        | 6.30%   |
| Other additional categories | 6.00%                        | 3.30%   |
| Cash (LIBOR)                | 2.00%                        | 0.90%   |
| Total                       | <u>100.00%</u>               |   |

*Discount rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report on the website at [www.trs.ky.gov](http://www.trs.ky.gov).

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 – INTERFUND TRANSACTIONS**

The General Fund extends short-term cash flow loans to funds outside the General Fund that receive funding on a reimbursement basis. Repayment is expected when available cash is in excess of that needed for operations.

|                      | Interfund<br>Receivable | Interfund<br>Payable |
|----------------------|-------------------------|----------------------|
| General Fund         | \$ 644,773              | \$ -                 |
| Special Revenue Fund | -                       | 439,158              |
| Day Care Fund        | -                       | 205,615              |
|                      | \$ 644,773              | \$ 644,773           |

**NOTE 13 – CONTINGENCIES AND COMMITMENTS**

Grant Programs

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

KSBIT

The District was notified in fiscal year 2014 by the Kentucky School Board Insurance Trust of a \$592,117 liability for workers’ compensation losses incurred by the Trust. The District made a down payment of \$181,842 in August 2014. The District chose to pay the remaining liability of \$410,275 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020. The unpaid balance of \$45,821 is recorded as a liability of the District.

COVID-19

The degree of impact of the District’s finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic. The ultimate duration and severity of the pandemic, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the pandemic, and the severity of an associated economic recession and extent to which a recovery may be prolonged, are not yet known.



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 14 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards' Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks to loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**NOTE 15 – LEASE AGREEMENT**

The District ("Lessor") entered into a lease agreement with the Murray Head Start Program ("Lessee"), whereby the lessee agreed to pay the lessor \$212,000 as an advance for the term of the lease. These funds were received by the District in fiscal year ended June 30, 2004 and were reported as current revenues in the General Fund financial statements and unearned revenue in the government-wide financial statements. The balance at June 30, 2020 is \$95,649.

The initial term of the lease agreement began on August 1, 2004, and ended on July 31, 2005. It is automatically renewable for 29 consecutive one year options at no additional cost. Under its terms, the lessor shall provide space including maintenance, utilities, insurance and custodial services, for all children participating in the Murray Head Start Program. The intent of the parties is for the Murray Head Start Program to conduct activities over the stated 29-year period. Accordingly, rental income is being recognized annually over this period of time.

**NOTE 16 – COBRA**

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB No. 84, *Fiduciary Activities*, which establish criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing School Activity Funds from fiduciary statement to governmental activities. The governmental activities net position and fund balance increased by \$542,481.

**NOTE 18 – RECENT ACCOUNTING PRONOUNCEMENTS**

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In May, 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB 95 was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This was accomplished by postponing effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The pronouncements that are applicable to the District and the new effective dates are as follows:

In June, 2017, the GASB issued Statement 87, *Leases*. GASB 87 was issued to increase usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement was postponed for eighteen months and will now be effective for the fiscal year ending June 30, 2022.

In June, 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement is now postponed to the fiscal year ending June 30, 2022.

**NOTE 19 – PRIOR PERIOD ADJUSTMENT**

Certain accounts in the accompanying statements have been restated to correct errors. These corrections had no effect on the results of current year's activities.

Net assets as of the beginning of the fiscal year have been adjusted to correct the following error made in the prior year:

Governmental Activities

Murray Lease agreement omitted from prior year government-wide statements: \$110,269

**REQUIRED SUPPLEMENTARY INFORMATION**

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <u>Budgeted Amounts</u> |                    |                     | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|---|-------------------------|--------------------|---------------------|--|
|   | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>       |  |
| <b>REVENUES</b>   |                         |                    |                     |  |
| From local sources  |                         |                    |                     |  |
| Taxes   |                         |                    |                     |  |
| Property  | \$ 6,062,000            | \$ 6,380,730       | \$ 6,329,291        | \$ (51,439)  |
| Motor vehicle   | 1,225,000               | 1,224,358          | 1,166,373           | (57,985)   |
| Utilities   | 1,590,000               | 1,550,000          | 1,526,143           | (23,857)   |
| Other   | 265,000                 | 265,000            | 302,141             | 37,141   |
| Student activities  | 15,000                  | 15,000             | 26,475              | 11,475   |
| Earnings on investments                                   | 100,000                 | 100,000            | 84,646              | (15,354)   |
| Other local revenues                                      | 510,350                 | 205,108            | 340,884             | 135,776  |
| Intergovernmental - state                                 | 26,437,731              | 26,815,885         | 26,021,339          | (794,546)  |
| Intergovernmental - indirect federal                      | 400,000                 | 400,000            | 345,259             | (54,741)   |
| <b>Total revenues</b>                                     | <u>36,605,081</u>       | <u>36,956,081</u>  | <u>36,142,551</u>   | <u>(813,530)</u>   |
| <b>EXPENDITURES</b>                                       |                         |                    |                     |  |
| Current   |                         |                    |                     |  |
| Instruction   | 22,687,427              | 22,892,483         | 22,435,777          | 456,706  |
| Support services  |                         |                    |                     |  |
| Student   | 3,007,375               | 3,020,789          | 3,164,811           | (144,022)  |
| Instructional staff                                       | 1,154,844               | 950,796            | 1,108,234           | (157,438)  |
| District administration                                   | 2,105,835               | 2,265,068          | 1,168,982           | 1,096,086  |
| School administration                                     | 2,516,127               | 2,519,455          | 2,276,536           | 242,919  |
| Business  | 617,184                 | 617,911            | 689,836             | (71,925)   |
| Plant operation and maintenance                           | 3,362,095               | 3,427,968          | 3,177,565           | 250,403  |
| Student transportation                                    | 3,259,217               | 3,057,319          | 2,610,725           | 446,594  |
| Community service activities                              | 250                     | 3,011              | 90                  | 2,921  |
| Land improvements/ acquisitions                           | 10,000                  | 10,000             | -                   | 10,000   |
| Debt service  | -                       | 85,000             | 106,629             | (21,629)   |
| <b>Total expenditures</b>                                 | <u>38,720,354</u>       | <u>38,849,800</u>  | <u>36,739,185</u>   | <u>2,110,615</u>   |
| Excess (deficit) of revenues<br>over (under) expenditures | <u>(2,115,273)</u>      | <u>(1,893,719)</u> | <u>(596,634)</u>    | <u>1,297,085</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                         |                    |                     |  |
| Proceeds from sale of fixed assets                        | 61,500                  | 1,500              | 24,117              | 22,617   |
| Capital lease proceeds                                    | -                       | -                  | 393,879             | 393,879  |
| Transfers in  | 153,791                 | 154,658            | 567,207             | 412,549  |
| Transfers (out)   | (75,000)                | (75,000)           | (87,655)            | (12,655)   |
| <b>Total other financing sources (uses)</b>               | <u>140,291</u>          | <u>81,158</u>      | <u>897,548</u>      | <u>816,390</u>   |
| Net change in fund balance                                | (1,974,982)             | (1,812,561)        | 300,914             | 2,113,475  |
| <b>Fund balance, beginning of year</b>                    | <u>1,974,982</u>        | <u>1,812,561</u>   | <u>1,994,945</u>    | <u>182,384</u>   |
| <b>Fund balance, end of year</b>                          | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 2,295,859</u> | <u>\$ 2,295,859</u>  |

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <u>Budgeted Amount</u> |                  | <u>Actual</u>    | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|---|------------------------|------------------|------------------|--|
|   | <u>Original</u>        | <u>Final</u>     |                  | <u>Actual</u>  |
| <b>REVENUES</b>   |                        |                  |                  |  |
| From local sources  |                        |                  |                  |  |
| Earnings on investments                                   | \$ -                   | \$ -             | \$ 119           | \$ 119   |
| Other local revenues                                      | 3,691                  | 37,545           | 87,473           | 49,928   |
| Intergovernmental - state                                 | 1,405,359              | 1,402,776        | 1,525,781        | 123,005  |
| Intergovernmental - federal                               | 2,395,708              | 2,708,812        | 3,016,480        | 307,668  |
| <b>Total revenues</b>                                     | <u>3,804,758</u>       | <u>4,149,133</u> | <u>4,629,853</u> | <u>480,720</u>   |
| <b>EXPENDITURES</b>                                       |                        |                  |                  |  |
| Current   |                        |                  |                  |  |
| Instruction   | 2,650,015              | 2,878,555        | 2,791,928        | 86,627   |
| Support services  |                        |                  |                  |  |
| Student   | 9,989                  | -                | 4,869            | (4,869)  |
| Instructional staff                                       | 746,504                | 898,303          | 1,020,336        | (122,033)  |
| District administration                                   | -                      | -                | (491)            | 491  |
| Business  | 3,600                  | 4,500            | 16,274           | (11,774)   |
| Student transportation                                    | 12,325                 | -                | 20,188           | (20,188)   |
| Community services  | 427,535                | 427,611          | 431,931          | (4,320)  |
| <b>Total expenditures</b>                                 | <u>3,849,968</u>       | <u>4,208,969</u> | <u>4,285,035</u> | <u>(76,066)</u>  |
| Excess (deficit) of revenues<br>over (under) expenditures | <u>(45,210)</u>        | <u>(59,836)</u>  | <u>344,818</u>   | <u>404,654</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                        |                  |                  |  |
| Proceeds from disposal of fixed assets                    | -                      | -                | 84               | 84   |
| Transfers in  | 75,000                 | 75,000           | 87,656           | 12,656   |
| Transfers (out)   | (29,790)               | (15,164)         | (432,558)        | (417,394)  |
| <b>Total other financing sources (uses)</b>               | <u>45,210</u>          | <u>59,836</u>    | <u>(344,818)</u> | <u>(404,654)</u>   |
| Net change in fund balance                                | -                      | -                | -                | -  |
| <b>Fund balance, beginning of year</b>                    | <u>-</u>               | <u>-</u>         | <u>-</u>         | <u>-</u>   |
| <b>Fund balance, end of year</b>                          | <u>\$ -</u>            | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>  |

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – CONSTRUCTION FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <u>Budgeted Amount</u> |              | <u>Actual</u>     | <u>Variance<br/>with Final<br/>Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|------------------------|--------------|-------------------|---|
|   | <u>Original</u>        | <u>Final</u> |                   |   |
| <b>REVENUES</b>   |                        |              |                   |   |
| Earnings on investments                                   | \$ -                   | \$ -         | \$ 9,371          | \$ 9,371  |
| Total revenues  | -                      | -            | 9,371             | 9,371   |
| <b>EXPENDITURES</b>                                       |                        |              |                   |   |
| Building improvements                                     | -                      | 2,506,833    | 1,794,099         | 712,734   |
| Total expenditures  | -                      | 2,506,833    | 1,794,099         | 712,734   |
| Excess (deficit) of revenues<br>over (under) expenditures | -                      | (2,506,833)  | (1,784,728)       | 722,105   |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                        |              |                   |   |
| Bond issuance   |                        | 2,290,000    | 2,245,000         | (45,000)  |
| Transfers in  | -                      | 216,833      | -                 | (216,833)   |
| Total other financing sources (uses)                      | -                      | 2,506,833    | 2,245,000         | (216,833)   |
| Net change in fund balance                                | -                      | -            | 460,272           | 460,272   |
| <b>Fund balance, beginning of year</b>                    | -                      | -            | 219,915           | 219,915   |
| <b>Fund balance, end of year</b>                          | <u>\$ -</u>            | <u>\$ -</u>  | <u>\$ 680,187</u> | <u>\$ 680,187</u>   |

**GRAVVES COUNTY SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL  
JUNE 30, 2020**

The District's budgetary process accounts for certain transactions on a basis other than GAAP. Differences between the budgetary accounting method and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other local, state and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2.00% reserve.

The General Fund FY 20 budget include \$12,063,036 of state payments on behalf of District employees for retirement and health benefits, technology and debt service.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

| <u>As of June 30</u>   | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>  | <u>2015</u>  |
|--|---------------|---------------|---------------|---------------|--------------|--------------|
| District's proportion of net pension liability   | 0.221602%     | 0.243598%     | 0.242956%     | 0.238620%     | 0.226630%    | 0.226742%    |
| District's proportionate share of net pension liability  | \$ 15,585,367 | \$ 14,835,861 | \$ 14,220,962 | \$ 11,748,778 | \$ 9,743,869 | \$ 7,520,200 |
| District's covered-employee payroll  | \$ 5,257,518  | \$ 6,109,927  | \$ 5,974,914  | \$ 5,756,421  | \$ 5,278,202 | \$ 5,189,436 |
| District's proportionate share of net pension liability<br>as a percentage of its covered-employee payroll | 296.44%       | 242.82%       | 238.01%       | 204.10%       | 184.61%      | 144.91%      |
| Plan fiduciary net position as a<br>percentage of total pension liability                                  | 50.45%        | 53.54%        | 53.30%        | 55.50%        | 59.97%       | 66.80%       |

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information



**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

| <u>For the year ended June 30</u>                                       | <u>2020</u>      | <u>2019</u>    | <u>2018</u>    | <u>2017</u>      | <u>2016</u>    | <u>2015</u>    |
|---|------------------|----------------|----------------|------------------|----------------|----------------|
| Contractually required contribution                                     | \$ 1,069,186     | \$ 852,769     | \$ 884,717     | \$ 1,116,113     | \$ 982,046     | \$ 932,674     |
| Contributions in relation to the<br>contractually required contribution | <u>1,069,186</u> | <u>852,769</u> | <u>884,717</u> | <u>1,116,113</u> | <u>982,046</u> | <u>932,674</u> |
| Contribution deficiency   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    |
| District's covered-employee payroll                                     | \$ 5,539,826     | \$ 5,257,518   | \$ 6,109,927   | \$ 5,974,914     | \$ 5,756,421   | \$ 5,278,202   |
| Contributions as a percentage of<br>covered-employee payroll            | 19.30%           | 16.22%         | 14.48%         | 18.68%           | 17.06%         | 17.67%         |

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in Benefit Terms

No Changes

Changes in Assumptions

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total pension liability as of June 30, 2019 is determined using these updated assumptions.

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
KENTUCKY TEACHER'S RETIREMENT SYSTEMS (KTRS)**

| <u>As of June 30</u>  | <u>2020</u>   | <u>2019</u>   | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    |
|---|---------------|---------------|----------------|----------------|----------------|----------------|
| District's proportion of net pension liability  | 0.00%         | 0.00%         | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| District's proportionate share of net pension liability   | \$ -          | \$ -          | \$ -           | \$ -           | \$ -           | \$ -           |
| State's proportionate share of net pension liability associated with the District                       | \$ 74,401,747 | \$ 72,998,173 | \$ 154,512,637 | \$ 166,133,398 | \$ 130,876,133 | \$ 115,182,631 |
| District's covered-employee payroll   | \$ 17,082,528 | \$ 18,440,182 | \$ 19,061,197  | \$ 18,188,450  | \$ 17,925,102  | \$ 17,562,861  |
| District's proportionate share of net pension liability as a percentage of its covered-employee payroll | 0.00%         | 0.00%         | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Plan fiduciary net position as a percentage of total pension liability                                  | 58.76%        | 59.30%        | 39.83%         | 35.22%         | 42.49%         | 45.59%         |

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE DISTRICT'S CONTRIBUTIONS - PENSION  
KENTUCKY TEACHER'S RETIREMENT SYSTEMS (KTRS)**

| <u>For the year ended June 30</u>                                       | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Contributions in relation to the<br>contractually required contribution | -             | -             | -             | -             | -             | -             |
| Contribution deficiency   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| District's covered-employee payroll                                     | \$ 17,812,145 | \$ 17,082,528 | \$ 18,440,182 | \$ 19,061,197 | \$ 18,188,450 | \$ 17,562,861 |
| Contributions as a percentage of<br>covered-employee payroll            | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         |

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

Changes in benefit terms

No changes

Changes in assumptions

The Municipal Bond Index Rate was changed from 3.89% to 3.50%

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

| <u>As of June 30</u>   | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|
| District's proportion of net OPEB liability (asset)  | 0.221545%           | 0.243588%           | 0.242956%           |
| District's proportionate share of net OPEB liability (asset)   | <u>\$ 3,726,287</u> | <u>\$ 4,324,857</u> | <u>\$ 4,884,247</u> |
| District's covered - employee payroll  | \$ 5,257,518        | \$ 6,109,927        | \$ 5,974,914        |
| District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll | 77.10%              | 83.75%              | 81.75%              |
| Plan fiduciary net position as a percentage of total OPEB liability  | 52.40%              | 57.62%              | 52.40%              |

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

| <u>For the year ended June 30</u>                                    | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    |
|--|----------------|----------------|----------------|
| Contractually required OPEB contribution                             | \$ 263,696     | \$ 276,545     | \$ 287,167     |
| Contributions in relation to the contractually required contribution | <u>263,696</u> | <u>276,545</u> | <u>287,167</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| District's covered-employee payroll                                  | \$ 5,539,826   | \$ 5,257,518   | \$ 6,109,927   |
| Contributions as a percentage of covered-employee payroll            | 4.76%          | 5.26%          | 4.70%          |

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in Benefit Terms

No Changes

Changes in Assumptions

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total pension liability as of June 30, 2019 is determined using these updated assumptions.



**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

| <u>As of June 30</u>  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|----------------------|
| District's proportion of collective net OPEB liability (asset)  | 0.000000%            | 0.000000%            | 0.000000%            |
| District's proportionate share of collective net OPEB liability (asset)   | \$ 8,515,000         | 9,982,000            | \$ 10,773,000        |
| State's proportionate share of collective net OPEB liability (asset) associated with the District               | <u>6,877,000</u>     | <u>8,603,000</u>     | <u>8,800,000</u>     |
| Total   | <u>\$ 15,392,000</u> | <u>\$ 18,585,000</u> | <u>\$ 19,573,000</u> |
| District's covered-employee payroll   | \$ 17,082,528        | \$ 18,440,182        | \$ 19,061,197        |
| District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll | 49.85%               | 54.13%               | 56.52%               |
| Plan fiduciary net position as a percentage of total OPEB liability   | 25.50%               | 25.50%               | 21.18%               |

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

| <u>For the year ended June 30</u>                                       | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    |
|---|----------------|----------------|----------------|
| Contractually required contribution                                     | \$ 729,044     | \$ 506,624     | \$ 422,815     |
| Contributions in relation to the<br>contractually required contribution | <u>729,044</u> | <u>506,624</u> | <u>422,815</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| District's covered-employee payroll                                     | \$ 17,812,145  | \$ 17,082,528  | \$ 18,440,182  |
| Contributions as a percentage of covered-<br>employee payroll           | 4.09%          | 2.97%          | 2.29%          |

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

| <u>As of June 30</u>  | <u>2020</u>       | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|-------------------|
| District's proportion of collective net OPEB liability (asset)  | 0.000000%         | 0.000000%         | 0.000000%         |
| District's proportionate share of collective net OPEB liability (asset)   | \$ -              | \$ -              | \$ -              |
| State's proportionate share of collective net OPEB liability (asset) associated with the District               | <u>160,000</u>    | <u>148,000</u>    | <u>118,000</u>    |
| Total   | <u>\$ 160,000</u> | <u>\$ 148,000</u> | <u>\$ 118,000</u> |
| District's covered-employee payroll   | \$ 17,082,528     | \$ 18,440,182     | \$ 19,061,197     |
| District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll | 0.94%             | 0.80%             | 0.62%             |
| Plan fiduciary net position as a percentage of total OPEB liability   | 73.40%            | 75.00%            | 79.99%            |

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

| <u>For the year ended June 30</u>                                       | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|----------------------|
| Contractually required contribution                                     | \$ -                 | \$ -                 | \$ -                 |
| Contributions in relation to the<br>contractually required contribution | -                    | -                    | -                    |
| Contribution deficiency (excess)  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered-employee payroll                                     | <u>\$ 17,812,145</u> | <u>\$ 17,082,528</u> | <u>\$ 19,061,197</u> |
| Contributions as a percentage of covered-<br>employee payroll           | 0.00%                | 0.00%                | 0.00%                |

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

**Medical Insurance Fund**

Changes in benefit terms

No changes

Changes in assumptions

No changes

**Life Insurance Fund**

Changes in benefit terms

No changes

Changes in assumptions

No changes

**OTHER SUPPLEMENTARY INFORMATION**

**GRAVES COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

|  | FSPK        | Capital<br>Outlay | Debt<br>Service | District<br>Activity | Total             |
|--|-------------|-------------------|-----------------|----------------------|-------------------|
| <b>ASSETS</b>                          |             |                   |                 |                      |                   |
| Cash and cash equivalents              | \$ -        | \$ 234,006        | \$ -            | \$ 83,529            | \$ 317,535        |
| Total assets and resources             | <u>\$ -</u> | <u>\$ 234,006</u> | <u>\$ -</u>     | <u>\$ 83,529</u>     | <u>\$ 317,535</u> |
| <b>LIABILITIES AND FUND BALANCES</b>   |             |                   |                 |                      |                   |
| Liabilities                            |             |                   |                 |                      |                   |
| Accounts payable                       | \$ -        | \$ -              | \$ -            | \$ -                 | \$ -              |
| Total liabilities                      | <u>-</u>    | <u>-</u>          | <u>-</u>        | <u>-</u>             | <u>-</u>          |
| Fund Balances                          |             |                   |                 |                      |                   |
| Nonspendable                           | -           | -                 | -               | -                    | -                 |
| Spendable                              |             |                   |                 |                      |                   |
| Restricted                             | -           | 234,006           | -               | 83,529               | 317,535           |
| Committed                              | -           | -                 | -               | -                    | -                 |
| Assigned                               | -           | -                 | -               | -                    | -                 |
| Unassigned                             | -           | -                 | -               | -                    | -                 |
| Total fund balances                    | <u>-</u>    | <u>234,006</u>    | <u>-</u>        | <u>83,529</u>        | <u>317,535</u>    |
| Total liabilities<br>and fund balances | <u>\$ -</u> | <u>\$ 234,006</u> | <u>\$ -</u>     | <u>\$ 83,529</u>     | <u>\$ 317,535</u> |

**GRAVES COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | FSPK               | SEEK<br>Capital<br>Outlay | Debt<br>Service  | District<br>Activity | Total             |
|---|--------------------|---------------------------|------------------|----------------------|-------------------|
| <b>REVENUES</b>   |                    |                           |                  |                      |                   |
| From local sources  |                    |                           |                  |                      |                   |
| Taxes   |                    |                           |                  |                      |                   |
| Property  | \$ 960,769         | \$ -                      | \$ -             | \$ -                 | \$ 960,769        |
| Student activities  | -                  | -                         | -                | -                    | -                 |
| Investment earnings                                       | -                  | -                         | -                | -                    | -                 |
| Other local revenues                                      | -                  | -                         | -                | 92,859               | 92,859            |
| Intergovernmental - state                                 | 595,448            | 373,194                   | 992,613          | -                    | 1,961,255         |
| <b>Total revenues</b>                                     | <b>1,556,217</b>   | <b>373,194</b>            | <b>992,613</b>   | <b>92,859</b>        | <b>3,014,883</b>  |
| <b>EXPENDITURES</b>                                       |                    |                           |                  |                      |                   |
| Instruction   | -                  | -                         | -                | 43,317               | 43,317            |
| Supporting services                                       |                    |                           |                  |                      |                   |
| Plant operation and maintenance                           | -                  | -                         | -                | -                    | -                 |
| Debt service  | -                  | -                         | 2,872,292        | -                    | 2,872,292         |
| Building improvements                                     | -                  | -                         | -                | -                    | -                 |
| <b>Total expenditures</b>                                 | <b>-</b>           | <b>-</b>                  | <b>2,872,292</b> | <b>43,317</b>        | <b>2,915,609</b>  |
| Excess (deficit) of revenues<br>over (under) expenditures | 1,556,217          | 373,194                   | (1,879,679)      | 49,542               | 99,274            |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                    |                           |                  |                      |                   |
| Transfer in   | -                  | -                         | 1,879,679        | -                    | 1,879,679         |
| Transfer (out)  | (1,556,217)        | (323,462)                 | -                | -                    | (1,879,679)       |
| <b>Total other financing sources (uses)</b>               | <b>(1,556,217)</b> | <b>(323,462)</b>          | <b>1,879,679</b> | <b>-</b>             | <b>-</b>          |
| Net change in fund balances                               | -                  | 49,732                    | -                | 49,542               | 99,274            |
| <b>Fund balances, beginning of year</b>                   | <b>-</b>           | <b>184,274</b>            | <b>-</b>         | <b>33,987</b>        | <b>218,261</b>    |
| <b>Fund balances, end of year</b>                         | <b>\$ -</b>        | <b>\$ 234,006</b>         | <b>\$ -</b>      | <b>\$ 83,529</b>     | <b>\$ 317,535</b> |



**GRAVES COUNTY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
 SCHOOL ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

|                             | Cash Balance<br>July 1, 2019 | Receipts            | Disbursements       | Cash Balance<br>June 30, 2020 | Accounts<br>Receivable | Accounts<br>Payable | Fund Balance<br>June 30, 2020 |
|-----------------------------|------------------------------|---------------------|---------------------|-------------------------------|------------------------|---------------------|-------------------------------|
| Central Elementary          | \$ 34,512                    | \$ 29,984           | \$ 25,142           | \$ 39,354                     | \$ -                   | \$ -                | \$ 39,354                     |
| Fancy Farm Elementary       | 11,069                       | 23,213              | 24,807              | 9,475                         | -                      | -                   | 9,475                         |
| Farmington Elementary       | 24,137                       | 60,505              | 58,757              | 25,885                        | -                      | -                   | 25,885                        |
| Lowes Elementary            | 15,720                       | 27,800              | 25,871              | 17,649                        | -                      | -                   | 17,649                        |
| Sedalia Elementary          | 9,158                        | 16,038              | 14,599              | 10,597                        | -                      | -                   | 10,597                        |
| Symsonia Elementary         | 37,626                       | 25,699              | 20,660              | 42,665                        | -                      | -                   | 42,665                        |
| Wingo Elementary            | 23,126                       | 32,607              | 32,823              | 22,910                        | -                      | -                   | 22,910                        |
| Graves County Middle School | 53,990                       | 101,858             | 110,031             | 45,817                        | -                      | -                   | 45,817                        |
| Graves County High School   | 333,143                      | 822,673             | 782,809             | 373,007                       | -                      | -                   | 373,007                       |
| <b>Totals</b>               | <b>\$ 542,481</b>            | <b>\$ 1,140,377</b> | <b>\$ 1,095,499</b> | <b>\$ 587,359</b>             | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ 587,359</b>             |

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020**

|                           | Cash Balance |           |               | Cash Balance  | Accounts   | Accounts | Due to         |
|---------------------------|--------------|-----------|---------------|---------------|------------|----------|----------------|
|                           | July 1, 2019 | Receipts  | Disbursements | June 30, 2020 | Receivable | Payable  | Student Groups |
|                           |              |           |               |               |            |          | June 30, 2020  |
| General administration    | \$ 25,498    | \$ 47,727 | \$ 27,785     | \$ 45,440     | \$ -       | \$ -     | \$ 45,440      |
| Credit recovery           | 730          | 870       | -             | 1,600         | -          | -        | 1,600          |
| Youth Service Center      | 1,348        | 350       | 1,226         | 472           | -          | -        | 472            |
| Start Up Money            | -            | 10,000    | 10,000        | -             | -          | -        | -              |
| Counselors' activity      | 4            | 2,290     | 1,406         | 888           | -          | -        | 888            |
| Testing fees              | 2,991        | 18,119    | 15,306        | 5,804         | -          | -        | 5,804          |
| Calculator rental         | 4,009        | 2,860     | 816           | 6,053         | -          | -        | 6,053          |
| Lead Mentoring-YSC        | 132          | 1,255     | 1,387         | -             | -          | -        | -              |
| Student concessions       | 8,210        | -         | 1,528         | 6,682         | -          | -        | 6,682          |
| Technology fees           | 6,384        | 47,383    | 50,294        | 3,473         | -          | -        | 3,473          |
| General (fees)            | 46,120       | 61,763    | 47,794        | 60,089        | -          | -        | 60,089         |
| Performing Arts Center    | 18,440       | 6,673     | 1,289         | 23,824        | -          | -        | 23,824         |
| Sport's concessions       | -            | 51,650    | 51,650        | -             | -          | -        | -              |
| Athletic administration   | -            | 14,578    | 14,578        | -             | -          | -        | -              |
| General athletics         | -            | 8,425     | 8,425         | -             | -          | -        | -              |
| Tournament account        | 8,004        | 37,572    | 45,465        | 111           | -          | -        | 111            |
| Sports revenue            | 3,012        | 81,196    | 84,208        | -             | -          | -        | -              |
| Special projects - sports | 14,770       | 26,556    | 25,084        | 16,242        | -          | -        | 16,242         |
| Baseball activity         | -            | 24,085    | 24,085        | -             | -          | -        | -              |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

|                            | Cash Balance<br>July 1, 2019 | Receipts | Disbursements | Cash Balance<br>June 30, 2020 | Accounts<br>Receivable | Accounts<br>Payable | Due to<br>Student Groups<br>June 30, 2020 |
|----------------------------|------------------------------|----------|---------------|-------------------------------|------------------------|---------------------|---|
| Boys basketball activity   | -                            | 24,710   | 23,160        | 1,550                         | -                      | -                   | 1,550                                     |
| Fishing club               | 3,886                        | 1,635    | 1,274         | 4,247                         | -                      | -                   | 4,247                                     |
| Unified track              | 2,413                        | 818      | 213           | 3,018                         | -                      | -                   | 3,018                                     |
| Elementary basketball      | 1,592                        | 30,758   | 31,448        | 902                           | -                      | -                   | 902                                       |
| Girls' basketball activity | -                            | 27,112   | 27,112        | -                             | -                      | -                   | -   |
| Cheerleaders - co-ed       | 5,714                        | 22,545   | 28,259        | -                             | -                      | -                   | -   |
| Cheerleaders - all girl    | 8,948                        | 16,871   | 7,029         | 18,790                        | -                      | -                   | 18,790                                    |
| Cross country activity     | 2,875                        | 14,915   | 12,080        | 5,710                         | -                      | -                   | 5,710                                     |
| Football (elem/middle)     | -                            | 11,271   | 11,271        | -                             | -                      | -                   | -   |
| Football activity          | -                            | 50,466   | 46,669        | 3,797                         | -                      | -                   | 3,797                                     |
| Elementary football        | 5,411                        | 28,292   | 25,523        | 8,180                         | -                      | -                   | 8,180                                     |
| Golf activity              | 3,524                        | 8,848    | 10,637        | 1,735                         | -                      | -                   | 1,735                                     |
| Girls' soccer              | -                            | 7,478    | 7,478         | -                             | -                      | -                   | -   |
| Boys' soccer               | -                            | 6,915    | 6,200         | 715                           | -                      | -                   | 715                                       |
| Softball activity          | 7,562                        | 16,540   | 24,102        | -                             | -                      | -                   | -   |
| Girls/boys tennis activity | 1,842                        | 1,995    | 2,485         | 1,352                         | -                      | -                   | 1,352                                     |
| Boys' track                | 4,442                        | 5,645    | 3,858         | 6,229                         | -                      | -                   | 6,229                                     |
| Girls' track               | 151                          | 1,280    | -             | 1,431                         | -                      | -                   | 1,431                                     |
| Bowling                    | 2,195                        | 24,357   | 26,552        | -                             | -                      | -                   | -   |
| Volleyball                 | -                            | 8,961    | 8,938         | 23                            | -                      | -                   | 23  |
| Archery                    | 5,459                        | 22,894   | 20,291        | 8,062                         | -                      | -                   | 8,062                                     |
| Academic Team              | -                            | 299      | 299           | -                             | -                      | -                   | -   |
| Agape Club                 | 632                          | -        | -             | 632                           | -                      | -                   | 632                                       |
| Art                        | 1,768                        | 1,848    | 411           | 3,205                         | -                      | -                   | 3,205                                     |
| Leo Club                   | 88                           | -        | -             | 88                            | -                      | -                   | 88  |
| Beta Club                  | 226                          | 10,740   | 10,892        | 74                            | -                      | -                   | 74  |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

|                           | Cash Balance<br>July 1, 2019 | Receipts | Disbursements | Cash Balance<br>June 30, 2020 | Accounts<br>Receivable | Accounts<br>Payable | Due to<br>Student Groups<br>June 30, 2020 |
|---------------------------|------------------------------|----------|---------------|-------------------------------|------------------------|---------------------|---|
| Bookstore                 | 7,792                        | 2,376    | 1,657         | 8,511                         | -                      | -                   | 8,511                                     |
| Drama                     | 491                          | 1,049    | 1,199         | 341                           | -                      | -                   | 341                                       |
| JAG                       | 1,926                        | 776      | 1,456         | 1,246                         | -                      | -                   | 1,246                                     |
| Musical Theater           | -                            | 3,503    | 3,503         | -                             | -                      | -                   | -   |
| FBLA                      | 3,858                        | 4,298    | 5,846         | 2,310                         | -                      | -                   | 2,310                                     |
| DECA                      | 1,151                        | 30,360   | 30,883        | 628                           | -                      | -                   | 628                                       |
| FCA                       | 566                          | -        | -             | 566                           | -                      | -                   | 566                                       |
| Chess Club                | 5,673                        | -        | (250)         | 5,923                         | -                      | -                   | 5,923                                     |
| E sports                  | 2,100                        | 1,543    | 1,762         | 1,881                         | -                      | -                   | 1,881                                     |
| FFA                       | 44                           | 43,983   | 34,203        | 9,824                         | -                      | -                   | 9,824                                     |
| Equine                    | 3,733                        | 2,645    | 3,675         | 2,703                         | -                      | -                   | 2,703                                     |
| FCCLA                     | 561                          | 6,895    | 4,915         | 2,541                         | -                      | -                   | 2,541                                     |
| STOP                      | 1,652                        | 169      | 265           | 1,556                         | -                      | -                   | 1,556                                     |
| Horticulture              | 28,616                       | 27,915   | 25,813        | 30,718                        | -                      | -                   | 30,718                                    |
| Interact Club             | 2,452                        | -        | -             | 2,452                         | -                      | -                   | 2,452                                     |
| Foreign language - French | 153                          | -        | -             | 153                           | -                      | -                   | 153                                       |
| Library                   | 2,756                        | 620      | 1,266         | 2,110                         | -                      | -                   | 2,110                                     |
| Newspaper                 | 1,614                        | 450      | 417           | 1,647                         | -                      | -                   | 1,647                                     |
| Key Club                  | 131                          | -        | -             | 131                           | -                      | -                   | 131                                       |
| FEA                       | -                            | 368      | 287           | 81                            | -                      | -                   | 81  |
| Pep Club                  | 347                          | 435      | 390           | 392                           | -                      | -                   | 392                                       |
| Prom                      | 5,213                        | 3,823    | 7,742         | 1,294                         | -                      | -                   | 1,294                                     |
| Science Club              | 684                          | -        | -             | 684                           | -                      | -                   | 684                                       |
| Forensics (Speech)        | -                            | 1,837    | 1,837         | -                             | -                      | -                   | -   |
| Student Council           | 326                          | 4,895    | 5,088         | 133                           | -                      | -                   | 133                                       |
| Spanish Club              | 618                          | 925      | 886           | 657                           | -                      | -                   | 657                                       |
| WGCE                      | 681                          | 2,065    | 1,229         | 1,517                         | -                      | -                   | 1,517                                     |
| Science Department        | 60                           | -        | -             | 60                            | -                      | -                   | 60  |
| Yearbook                  | 16,878                       | 37,000   | 40,016        | 13,862                        | -                      | -                   | 13,862                                    |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

|                             | Cash Balance<br>July 1, 2019 | Receipts  | Disbursements | Cash Balance<br>June 30, 2020 | Accounts<br>Receivable | Accounts<br>Payable | Due to<br>Student Groups<br>June 30, 2020 |
|-----------------------------|------------------------------|-----------|---------------|-------------------------------|------------------------|---------------------|---|
| Young Politicians           | 151                          | -         | -             | 151                           | -                      | -                   | 151                                       |
| Agriculture                 | -                            | 700       | 164           | 536                           | -                      | -                   | 536                                       |
| Art                         | 172                          | 842       | -             | 1,014                         | -                      | -                   | 1,014                                     |
| Anatomy & Physiology        | 574                          | 565       | -             | 1,139                         | -                      | -                   | 1,139                                     |
| Business Principles         | -                            | 645       | 343           | 302                           | -                      | -                   | 302                                       |
| Sports & Event Management   | -                            | 4,863     | 4,430         | 433                           | -                      | -                   | 433                                       |
| Principles of & Fashion Mkt | 267                          | 425       | 391           | 301                           | -                      | -                   | 301                                       |
| Engineering Design/Prin Eng | 2,079                        | 470       | 138           | 2,411                         | -                      | -                   | 2,411                                     |
| GC Publishing               | 241                          | -         | -             | 241                           | -                      | -                   | 241                                       |
| Band                        | 21,004                       | 14,782    | 28,523        | 7,263                         | -                      | -                   | 7,263                                     |
| Choir class fees            | 237                          | 110       | -             | 347                           | -                      | -                   | 347                                       |
| Choral                      | -                            | 6,543     | 6,543         | -                             | -                      | -                   | -   |
| Piano/Keyboard Class        | -                            | 220       | 100           | 120                           | -                      | -                   | 120                                       |
| Life Skills Class Fee       | 1,018                        | 680       | -             | 1,698                         | -                      | -                   | 1,698                                     |
| Home Economics              | 3,696                        | 6,015     | 6,808         | 2,903                         | -                      | -                   | 2,903                                     |
| Special Life Skills         | 105                          | 15        | 38            | 82                            | -                      | -                   | 82  |
| Photography                 | 1,525                        | 184       | 1,012         | 697                           | -                      | -                   | 697                                       |
| Foreign language fees       | 1,761                        | 504       | 730           | 1,535                         | -                      | -                   | 1,535                                     |
| Orchestra                   | 115                          | 4,466     | 2,293         | 2,288                         | -                      | -                   | 2,288                                     |
| Symphony Orchestra          | -                            | 35        | -             | 35                            | -                      | -                   | 35  |
| Foreign Language Fees-SP    | 6,275                        | 2,829     | 4,272         | 4,832                         | -                      | -                   | 4,832                                     |
| ROTC                        | 2,727                        | 8,856     | 6,453         | 5,130                         | -                      | -                   | 5,130                                     |
| Relay for Life              | 2,740                        | 2,470     | -             | 5,210                         | -                      | -                   | 5,210                                     |
|                             | 333,143                      | 1,024,694 | 984,830       | 373,007                       | -                      | -                   | 373,007                                   |
| Transfers in (out)          | -                            | (202,021) | (202,021)     | -                             | -                      | -                   | -   |
| Totals                      | \$ 333,143                   | 822,673   | 782,809       | \$ 373,007                    | \$ -                   | \$ -                | \$ 373,007                                |

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through Grantor<br>Program Title               | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal Expenditures |                  |
|---|---------------------------|-------------------------------------|----------------------|------------------|
| <b>U.S. Department of Education</b>                                 |                           |                                     |                      |                  |
| Passed through State Department of Education:                       |                           |                                     |                      |                  |
| Title I Grants to Local Educational Agencies                        | 84.010                    | 3100002-19                          | \$ 1,099,626         |                  |
|   | 84.010                    | 3100002-18                          | <u>232,628</u>       | \$ 1,332,254     |
| Special Education Cluster   |                           |                                     |                      |                  |
| Special Education Grants to States                                  | 84.027                    | 3810002-19                          | 663,402              |                  |
|   | 84.027                    | 3810002-18                          | 141,717              |                  |
| Special Education Preschool Grants                                  | 84.173                    | 3800002-19                          | 36,065               |                  |
|   | 84.173                    | 3800002-18                          | <u>1,575</u>         | 842,759          |
| Title 1, Part D   | 84.013                    | 3100102-19                          |                      | 27,000           |
| Vocational Education Basic Grants to States                         | 84.048                    | 3710002-19                          | 31,156               |                  |
|   | 84.048                    | 3710002-18                          | <u>1,376</u>         | 32,532           |
| Title V Rural and Low Income  | 84.358                    | 3140002-19                          |                      | 80,749           |
| English Language Acquisition Grants                                 | 84.365                    | 3300002-19                          |                      | 15,904           |
| Improving Teacher Quality State Grants                              | 84.367                    | 3230002-19                          | 101,455              |                  |
|   | 84.367                    | 3230002-18                          | <u>142,873</u>       | 244,328          |
| Student Support and Academic Enrichment                             | 84.424                    | 3420002-19                          | 39,473               |                  |
|   | 84.424                    | 3420002-18                          | <u>24,746</u>        | 64,219           |
| Other U.S. Department of Education Programs:                        |                           |                                     |                      |                  |
| COVID 19 - Elementary and Secondary School<br>Emergency Relief Fund | 84.425D                   | Direct                              |                      | <u>3,156</u>     |
| <b>Total U. S. Department of Education</b>                          |                           |                                     |                      | <u>2,642,901</u> |
| <b>U.S. Department of Agriculture</b>                               |                           |                                     |                      |                  |
| Passed through State Department of Education:                       |                           |                                     |                      |                  |
| Child Nutrition Cluster:  |                           |                                     |                      |                  |
| School Breakfast Program  | 10.553                    | 7760005-20                          | 581,596              |                  |
|   | 10.553                    | 7760005-19                          | <u>200,634</u>       | 782,230          |
| National School Lunch Program                                       | 10.555                    | 7750002-20                          | 893,168              |                  |
|   | 10.555                    | 7750002-19                          | <u>334,377</u>       | 1,227,545        |
| Summer Food Service Program for Children                            | 10.559                    | 7690024-20                          | 55,304               |                  |
|   | 10.559                    | 7740023-20                          | <u>538,927</u>       | 594,231          |
| Total Child Nutrition Cluster                                       |                           |                                     |                      | 2,604,006        |

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through Grantor<br>Program Title                                | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal Expenditures |
|--|---------------------------|-------------------------------------|----------------------|
| Child and Adult Care Food Program  | 10.558                    | 7790021-20                          | 29,500               |
|  | 10.558                    | 7790021-19                          | 13,018               |
|  | 10.558                    | 7800016-20                          | 1,876                |
|  | 10.558                    | 7800016-19                          | 831                  |
|  |                           |                                     | 45,225               |
| State Administrative Expenses for Child Nutrition                                    | 10.560                    | 7700001-19                          | 12,290               |
| Other U.S. Department of Agriculture Programs -<br>Fresh Fruit and Vegetable Program | 10.582                    | Direct                              | 186,377              |
| <b>Total U.S. Department of Agriculture</b>  |                           |                                     | 2,847,898            |
| <b>U.S. Department of Health and Human Services</b>                                  |                           |                                     |                      |
| CECC Preschool Development Grant School Readiness                                    | 93.434                    | Direct                              | 10,468               |
| Child Care and Development Block Grant   | 93.575                    | Direct                              | 9,000                |
| Passed through Murray Board of Education<br>Head Start                               | 93.600                    |                                     | 354,112              |
| <b>Total U.S. Department of Health and Human Services</b>                            |                           |                                     | 373,580              |
| Total Expenditures of Federal Awards   |                           |                                     | \$ 5,864,379         |

See Notes to Schedule of Expenditures of Federal Awards

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Graves County School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – INDIRECT COST RATE**

The District has elected to use indirect cost rates as defined by the grantor.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 5 – COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.



## **INTERNAL CONTROL AND COMPLIANCE**

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Graves County School District (the "District"), as of and for the year ended June 30, 2020, 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 14, 2020.

### **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*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Graves County School District in a separate report dated December 14, 2020.

### **Graves County School District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

December 14, 2020

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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

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

We have audited Graves County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Graves County School District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Graves County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

In our opinion, Graves County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## **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 a 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 the Uniform Guidance, 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable of any other purpose.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

December 14, 2020

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                    \_\_\_ yes     X  no

Significant deficiency(ies) identified?            \_\_\_ yes     X  none reported

Noncompliance material to financial statements noted?                    \_\_\_ yes     X  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                    \_\_\_ yes     X  no

Significant deficiency(ies) identified?            \_\_\_ yes     X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?                    \_\_\_ yes     X  no

Identification of major federal programs:

| Program Title   | CFDA Number |
|---|-------------|
| Child Nutrition Cluster - School Breakfast Program      | 10.553      |
| Child Nutrition Cluster - National School Lunch Program | 10.555      |
| Summer Food Service Program for Children                | 10.559      |

Dollar threshold to distinguish between type A and type B programs:    \$750,000

Auditee qualified as a low-risk auditee?                     X  yes    \_\_\_ no

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None reported

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCY**

**2019-001**

**Condition** A property and equipment inventory was not performed by the District and reconciled to the financial statements and detail listing of assets. In addition, no personnel were assigned to the fixed asset accounting portion of the District's MUNIS software system to maintain the detailed fixed asset records.

**Recommendation:** A complete physical inventory should be taken annually and reconciled to the District's accounting software system.

**Current Status:** The finding was not repeated for the year ended June 30, 2020.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported



**MANAGEMENT COMMENTS FOR AUDIT**

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December 14, 2020

Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

In planning and performing our audit of the financial statements of Graves County School District (the "District") for the year ended June 30, 2020, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated December 14, 2020, contains our report on the District's internal control. This letter does not affect our report dated December 14, 2020, on the financial statements of the Graves County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We performed a follow up on the prior year findings with the status of these findings on pages 117-118 of this report.

This report is intended solely for the information and use of the management, the members of the Graves County School District, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CENTRAL ELEMENTARY**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Six accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires that individual school activity accounts and the school activity fund bank account as a whole shall not end the fiscal year with a negative (deficit) balance.

**Condition** – One school activity account ended in a negative balance.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If an activity account ends the year with a negative balance (after taking accounts receivable and accounts payable into consideration), then the general activity account must cover the deficit by June 30.

**Views of Responsible Officials** – At Central Elementary, one student organization account had a deficit balance of \$5.96 at year-end. The District will review the year-end process with the school bookkeeper and principal to ensure the general activity account covers deficit balances of a student organization balance prior to year-end close.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CENTRAL ELEMENTARY, continued**

**III. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states the deposit slips shall note the receipt numbers in the deposit and an employee, other than the treasurer, shall verify the daily deposit.

**Condition** – Receipt numbers were not listed on deposit slips, and there was no indication on the deposit slip that anyone had verified the deposit.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Receipt numbers in the deposit should be listed on the deposit slip, and verification of the daily deposit should be noted on the deposit slip.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure corresponding receipts numbers are listed on the deposit slips

**IV. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires that Form F-SA-7 Purchase Order be prepared and signed by the sponsor, reviewed by the bookkeeper and approved by the principal before the payment is obligated.

**Condition** – Several purchase orders appeared to be outdated and did not have a bookkeeper signature.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Purchase order forms used should be current and contain signature line for review by the bookkeeper.

**Views of Responsible Officials** – The District will review the Redbook purchasing guidelines with the school bookkeeper and principal to ensure that purchase orders are signed by the sponsor, reviewed and signed by the bookkeeper, and approved and signed by the principal.

**V. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states that Form F-SA-2A Fundraiser & Crowdfunding Approval be completed and approved by the Superintendent as directed by Board for all school-wide fundraisers, and the principal or a designee for all other fundraisers in the school before the fundraiser begins.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CENTRAL ELEMENTARY, continued**

**Condition** – Two fundraisers did not have Form F-SA-2A Fundraiser & Crowdfunding Approval.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Form F-SA-2A Fundraiser & Crowdfunding Approval should be completed and approved before the fundraiser begins.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure all school-wide fundraisers have a completed and approved F-SA-2A Fundraiser and Crowdfunding, along with Board approval before the fundraiser begins.

- VI. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires that Form F-SA-17 Sales from Concessions/Bookstore/Pencil Machine shall not be completed by the individual who completes Form F-SA-5 Monthly Inventory Control Worksheet.

**Condition** – Multiple Receipt Forms were used rather than Sales from Concessions/Bookstore/Pencil Machine and were signed by the same individual who completed the Monthly Inventory Control Worksheet.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Fundraiser activities such as concessions involving inventory require the use of Form F-SA-17 Sales from Concessions/Bookstore/Pencil Machine. The person filling out the Form SA-5 Monthly Inventory Control Worksheet cannot be the same person who completes the Form SA-17.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure that all fundraisers involving inventory/concessions use Form F-SA-17 Sales from Concessions/Bookstore/Pencil Machine. In addition, the District will review with the bookkeeper and principal that the person completing Form SA-5 Monthly Inventory Control Worksheet cannot be the same person that completes the Form SA-17 to ensure segregation of duties.

**FANCY FARM ELEMENTARY**

- I. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FANCY FARM ELEMENTARY, continued**

**Condition** – Two accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

**FARMINGTON ELEMENTARY**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Eight accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**LOWES ELEMENTARY**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Two accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states the deposit slips shall note the receipt numbers in the deposit and an employee, other than the treasurer, shall verify the daily deposit.

**Condition** – Receipt numbers were not listed on deposit slips and there was no indication on the deposit slip that anyone had verified the deposit.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Receipt numbers in the deposit should be listed on the deposit slip verification of the daily deposit should be noted on the deposit slip.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure corresponding receipts numbers are listed on the deposit slips.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SEDALIA ELEMENTARY**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Two accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states that Form F-SA-2A Fundraiser & Crowdfunding Approval be completed and approved by the Superintendent as directed by Board for all school-wide fundraisers, and the principal or a designee for all other fundraisers in the school before the fundraiser begins.

**Condition** – Two fundraisers did not have Form F-SA-2A Fundraiser & Crowdfunding Approval.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Form F-SA-2A Fundraiser & Crowdfunding Approval should be completed and approved before the fundraiser begins.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure all school-wide fundraisers have a completed and approved F-SA-2A Fundraiser and Crowdfunding, along with Board approval before the fundraiser begins.



**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SEDALIA ELEMENTARY, continued**

**III. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for fundraisers.

**Condition** – Form F-SA-2B Fundraiser Summary was not completed for two fundraisers.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – When items are sold, the Fundraiser Summary form should be used and completed and approved timely to recap the profitability of a fundraiser sales cycle.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure when items are sold, the Fundraiser Summary form should be completed in a timely manner to recap the profitability of a fundraiser sales cycle.

**SYMSONIA ELEMENTARY**

**I. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Four accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**GRAVES COUNTY MIDDLE SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Three accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

**GRAVES COUNTY HIGH SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Ten accounts with balances at year-end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds should be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The District will review the year-end process with the school bookkeeper and principal, which includes reviewing dormant accounts annually, closing those accounts, and transferring the remaining funds to the general fund if the student organization did not designate in writing how the remaining funds shall be used.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**GRAVES COUNTY HIGH SCHOOL, continued**

- II. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states that the completed purchase order, shipping document (if applicable) and vendor or standard invoice be matched up and verified before a check is written.

**Condition** – Three purchase orders did not have vendor or standard invoice attached.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Completed purchase order, shipping document (if applicable) and vendor or standard invoice should be matched up and verified before a check is written.

**Views of Responsible Officials** – The District will review this finding with the school bookkeeper and principal to ensure that a completed purchase order must be accompanied by a vendor invoice and verified before a check is written.

- III. Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the use of Form F-SA-5 Monthly Inventory Control Worksheet for concession and bookstore activities to recap the flow of inventory monthly and identify overages or shortages.

**Condition** – Form F-SA-5 Inventory Control Worksheet was not used and completed monthly.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Form F-SA-5 Monthly Inventory Control Worksheet should be completed to recap the flow of inventory monthly and to identify overage and shortages.

**Views of Responsible Officials** – The District will review with principal, bookkeeper and athletic director that Form F-SA-5 Monthly Inventory Control Worksheet should be completed to recap the flow of inventory monthly of all inventory/concessions and to identify overages and shortages.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

- I. **Condition** – There is a lack of segregation of duties related to user access within the District’s MUNIS system. Certain users who authorize transactions and have custody of assets within the organization are also superusers of the MUNIS accounting system.

**Recommendation** – Superusers should not be granted the authority to authorize transactions.

**Current Status** – The finding was not repeated for June 30, 2020.

- II. **Condition** – The General Fund covered the negative balance/deficit in the Day Care Proprietary Fund.

**Recommendation** – No further funds should be transferred to the Day Care Fund to cover negative balances, and the current interfund payable due to the General Fund in the amount of \$204,187 should be eliminated as soon as possible.

**Current Status** – The finding was not repeated for June 30, 2020.

- III. **Condition** – The Food Service Fund does not reconcile monthly receipt totals per the cafeteria accounting system to funds deposited in the individual school's bank accounts. In addition, deposits of cafeteria cash receipts are not being made in a timely manner.

**Recommendation** – Frequent deposits should be made for each of the Food Service school accounts and all monies should be deposited by each month-end. The deposits should be reconciled to the cafeteria accounting reports to ensure all funds for the month were deposited and all receipts for the month were accurately reported in the monthly financial statements.

**Current Status** – The finding was not repeated for June 30, 2020.

- IV. **Condition** – Board members are reimbursed for a set number of miles for each board meeting and working session attended by use of a “standard” reimbursements form printed from the District’s system.

**Recommendation** – Board members should complete a reimbursement form for each meeting attended, stating the actual mileage driven to and from the Board office, or other meeting location. Dating and signing each reimbursement form currently ensures proper documentation and correct amounts are reimbursed by the District.

**Current Status** – The finding was not repeated for June 30, 2020.

- V. **Condition** – Prior period adjustments and error corrections were required to accurately reflect beginning financial statement balances.

**Recommendation** – District personnel should properly review all financial statement balances and ensure accurate reporting.

**Current Status** – The finding was not repeated for June 30, 2020.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**VI. Condition** – Activity Fund Budgets were not prepared and activity fund budgets were not approved by the Board for Lowes Elementary and Wingo Elementary.

**Recommendation** – District should ensure that budgets are properly completed and reviewed as required by the KDE Redbook.

**Current Status** – The finding was not repeated for June 30, 2020.

**VII. Condition** – Activity Fund treasurers are required to be bonded per the KDE Redbook. It was noted that the District bond for employee dishonesty is in the amount of \$5,000, which does not sufficiently cover the maximum amount of funds activity fund treasurers may handle at any given time during a fiscal year.

**Recommendation** – District should increase the limit of the blanket bond covering employee dishonesty to an amount sufficient to cover the maximum amount of public funds an officer, official or employee handles at any given time during a fiscal year cycle.

**Current Status** – The finding was not repeated for June 30, 2020.