

**GRAVES COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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**GRAVES COUNTY SCHOOL DISTRICT  
JUNE 30, 2021**

**BOARD OF EDUCATION**

Kelly Thurman, Chairman  
Joni Goodman, Member  
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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## 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 (District), as of and for the year ended June 30, 2021, 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 the District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension 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 combining and individual nonmajor fund financial statements and combining and individual school activity fund financial 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 financial 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 financial 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 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 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  
Mayfield, Kentucky

October 29, 2021



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

As management of the Graves County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. The District encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, notes to the basic financial statements and the financial statements to enhance their understanding of the District’s financial performance.

**FINANCIAL HIGHLIGHTS**

- The ending cash and investments balance for the District was \$5,363,343, as compared with the beginning cash balance of \$4,266,178. The ending cash and investments balance consists of General Fund of \$1,702,858, Special Revenue Fund of \$14,671, Nonmajor Governmental Funds of \$927,706, Day Care (Early Eagle) Fund of \$0, Food Service Fund of \$1,936,911, Private Purpose Trust Funds of \$183,206 and Student Activity Funds of \$597,991.
- Excluding interfund transfers and capital lease proceeds, the General Fund has \$37,472,898 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 increased \$1,330,347 in comparison to prior year of \$36,142,551 primarily due to additional local tax revenue and state on-behalf benefits. Excluding interfund transfers, there were General Fund expenditures totaling \$33,670,890. This is a decrease of (\$3,068,295) compared to \$36,739,185 in General Fund expenditures for the prior year primarily due to the utilization of Federal ESSER grants.
- During FY21, the District received \$14,209,181 in state Support Education Excellence in Kentucky (SEEK) funds and \$885,792 CRF funds which were aligned with the \$15,094,973 total funds received in the previous year.
- While transportation was once funded by the state at 100% of the District cost, the SEEK calculation in FY21 included transportation funding at approximately 80% of total District’s transportation cost, excluding state paid on-behalf employee benefits.
- The District expense for “matching” contributions to the Kentucky Teacher Retirement System (KTRS) for FY 21 remained at 3.00% for all certified employees.
- Most classified employees contribute to County Employees Retirement System (CERS). The District expense for “matching” contributions for FY21 remained the same at 24.06%.
- The financial statements reflect a total of \$11,548,426 of revenues and aid from the state for payments made by the state on behalf of District employees for payroll-related retirement contributions, health insurance (\$10,591,335), SFCC debt service payments (\$848,400) and technology (\$108,691). 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, 2021**

**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’s revenue 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 plus deferred outflows of resources and the District’s liabilities plus 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 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.

**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).

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

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 fund 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. 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 as listed in the table of contents.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**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 \$4,744,321 at the close of the most recent fiscal year.

Long-term liabilities decreased primarily due to principal repayment of bonds. Pension and OPEB liabilities experienced a net increase of \$725,271. 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, \$25,429,126, 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 \$1,525,696, 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, 2021 and 2020:

**Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>						
Current assets and other assets	\$ 8,739,238	\$ 4,809,008	\$ 2,026,695	\$ 1,487,438	\$10,765,933	\$ 6,296,446
Capital assets	41,699,047	43,172,365	1,884,703	1,968,629	43,583,750	45,140,994
Total assets	<u>50,438,285</u>	<u>47,981,373</u>	<u>3,911,398</u>	<u>3,456,067</u>	<u>54,349,683</u>	<u>51,437,440</u>
<b>Deferred outflows of resources</b>	<u>5,934,722</u>	<u>5,362,839</u>	<u>838,240</u>	<u>781,492</u>	<u>6,772,962</u>	<u>6,144,331</u>
<b>LIABILITIES</b>						
Current liabilities	2,970,282	1,151,950	185,639	215,004	3,155,921	1,366,954
Noncurrent liabilities	43,026,651	45,185,782	4,060,747	3,689,835	47,087,398	48,875,617
Total liabilities	<u>45,996,933</u>	<u>46,337,732</u>	<u>4,246,386</u>	<u>3,904,839</u>	<u>50,243,319</u>	<u>50,242,571</u>
<b>Deferred inflows of resources</b>	<u>5,810,803</u>	<u>5,101,816</u>	<u>324,202</u>	<u>428,453</u>	<u>6,135,005</u>	<u>5,530,269</u>
<b>NET POSITION</b>						
Investment in capital assets (net of debt)	23,544,423	22,521,599	1,884,703	1,968,629	25,429,126	24,490,228
Restricted	1,525,696	1,585,081	-	-	1,525,696	1,585,081
Unrestricted	<u>(20,504,848)</u>	<u>(22,202,016)</u>	<u>(1,705,653)</u>	<u>(2,064,362)</u>	<u>(22,210,501)</u>	<u>(24,266,378)</u>
Total net position	<u>\$ 4,565,271</u>	<u>\$ 1,904,664</u>	<u>\$ 179,050</u>	<u>\$ (95,733)</u>	<u>\$ 4,744,321</u>	<u>\$ 1,808,931</u>

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

The net pension liability (NPL) and the other postemployment benefits (OPEB) are the largest liabilities reported by the District as of June 30, 2021. 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, 2021**

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 \$848,400. 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, 2021**

Following is a summary of changes in the District's net position for the fiscal years ended June 30, 2021 and 2020:

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ -	\$ -	\$ 151,563	\$ 294,590	\$ 151,563	\$ 294,590
Operating grants and contributions	-	-	3,171,114	2,847,898	3,171,114	2,847,898
Capital grants and contributions	848,400	992,613	-	-	848,400	992,613
General revenues						
Property taxes	7,678,646	7,290,060	-	-	7,678,646	7,290,060
Other taxes	3,007,309	2,994,657	-	-	3,007,309	2,994,657
State aid	34,064,104	31,877,501	338,709	336,622	34,402,813	32,214,123
Investment earnings	87,805	94,136	25,960	33,567	113,765	127,703
Other	1,280,006	1,707,743	26,749	(619)	1,306,755	1,707,124
<b>Total revenues</b>	<u>46,966,270</u>	<u>44,956,710</u>	<u>3,714,095</u>	<u>3,512,058</u>	<u>50,680,365</u>	<u>48,468,768</u>
<b>EXPENSES</b>						
Instruction	28,455,951	28,618,122	-	-	28,455,951	28,618,122
Support services						
Student	2,500,924	2,925,233	-	-	2,500,924	2,925,233
Instructional support	2,351,976	2,156,874	-	-	2,351,976	2,156,874
District administration	1,177,845	580,704	-	-	1,177,845	580,704
School administration	2,572,047	2,280,576	-	-	2,572,047	2,280,576
Business support	646,154	706,110	-	-	646,154	706,110
Plant operations	3,011,599	3,142,384	-	-	3,011,599	3,142,384
Student transportation	2,660,342	2,777,429	-	-	2,660,342	2,777,429
Community services	422,514	432,323	-	-	422,514	432,323
Other instructional	3,266	1,558	-	-	3,266	1,558
Other non-instructional	10,480	68,297	-	-	10,480	68,297
Interest on long-term debt	662,683	660,981	-	-	662,683	660,981
Facilities and acquisition	-	39,393	-	-	-	39,393
Day care	22,400	-	97,201	202,388	119,601	202,388
Food service	-	-	3,208,119	3,424,031	3,208,119	3,424,031
<b>Total expenses</b>	<u>44,498,181</u>	<u>44,389,984</u>	<u>3,305,320</u>	<u>3,626,419</u>	<u>47,803,501</u>	<u>48,016,403</u>
Change in net position before transfers	2,468,089	566,726	408,775	(114,361)	2,876,864	452,365
Transfers in (out)	130,592	134,650	(133,992)	(134,650)	(3,400)	-
<b>Change in net position after transfers</b>	<u>\$ 2,598,681</u>	<u>\$ 701,376</u>	<u>\$ 274,783</u>	<u>\$ (249,011)</u>	<u>\$ 2,873,464</u>	<u>\$ 452,365</u>



**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

The net position of the District’s governmental activities increased by \$1,966,590. Net position reflects a positive balance of \$4,565,271. The District has developed a strategic plan to best utilize the resources available and to preserve those resources as long as possible.

Expenses include \$422,373 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 \$6,012,982, an increase of \$2,132,042 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 as of June 30, 2021 and 2020.

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 includes 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, 2021**

Following is a summary of fund balances as of June 30, 2021 and 2020:

<b>Governmental Funds</b>	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
General Fund	\$ 4,487,286	\$ 2,295,859	\$ 2,191,427
Special Revenue Fund	-	-	-
Building Fund	-	-	-
Construction Fund	418,850	680,187	(261,337)
Student Activity Fund	597,990	587,359	10,631
Debt Service Fund	-	-	-
Capital Outlay Fund	354,106	234,006	120,100
District Activity Fund	154,750	83,529	71,221
<b>Total governmental funds</b>	<b>\$ 6,012,982</b>	<b>\$ 3,880,940</b>	<b>\$ 2,132,042</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 \$4,241,687, while total fund balance was \$4,487,287. Total General Fund balance increased \$2,191,427 from prior year. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 12.6% of the total General Fund expenditures, while total fund balance represents 13.3% of that same amount.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (KDE) and Kentucky law, the District funds’ budgets 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 are ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District adopted a General Fund budget with a contingency of 7.8%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

The General Fund original budget included \$10,433,096 of state payments on behalf of District employees for retirement and health benefits, technology and debt service. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2021, excluding interfund transfers and beginning balances, were \$35,294,363; compared to the total budgeted revenues of \$35,353,965.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2021, excluding interfund transfers, were \$33,670,891; compared to the total budgeted expenditures of \$37,773,743.

Significant Board action that impacts the finances includes limiting facility improvements and major purchases throughout the District.

Special Revenue Fund (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. Expenditures include salaries and benefits, supplies, programming costs, travel and training costs.

SEEK Capital Outlay Fund (Fund 310) and FSPK Building Fund (Fund 320) are restricted funds for capital projects. The District has used those funds for debt service payments. The State contributes to those funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2021, the District had \$43,583,750 invested in capital assets net of depreciation: historical cost totaled \$78,991,202 with accumulated depreciation totaling \$35,407,452. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Funds in the amount of \$679,683 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$2,236,929, 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, 2021**

Following is a summary of capital assets, net of depreciation, as of June 30, 2021 and 2020:

**Net Capital Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
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	38,325,973	37,544,710	1,733,728	1,794,421	40,059,701	39,339,131
Land improvements	52,056	60,260	-	-	52,056	60,260
Technology equipment	9,104	13,445	-	-	9,104	13,445
Vehicles	1,077,400	1,293,304	-	-	1,077,400	1,293,304
General equipment	347,350	366,698	150,975	174,208	498,325	540,906
Infrastructure	38,382	43,774	-	-	38,382	43,774
Property under capital lease	366,074	612,760	-	-	366,074	612,760
<b>Total</b>	<b>\$ 41,699,047</b>	<b>\$ 43,172,365</b>	<b>\$ 1,884,703</b>	<b>\$ 1,968,629</b>	<b>\$ 43,583,750</b>	<b>\$ 45,140,994</b>

**Long-term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2021 were \$17,875,000. 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 \$6,635,091 of the bonds leaving the District to pay \$11,239,909. The liability for compensated absences had a net increase of \$45,227 for the fiscal year. Other long-term obligations consist mostly of accrued employee sick leave liability and leases on student chrome books, which 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, 2021:

<u>Issue</u>	<u>Description</u>	<u>Maturity</u>	<u>Balance</u>
2011	Refunding Series 2003 Bonds (Central, Sedalia, Symsonia Elementary Schools)	6/1/2023	\$ 2,545,000
2013	Refunding Series 2009 BABs (Fancy Farm Elementary)	6/1/2029	4,755,000
2014	Finance Energy Conservation Projects at multiple sites in District	2/1/2035	7,525,000
2015	Refunding Series 2006 Bonds (GCHS Auditorium)	3/1/2026	840,000
2020	Farmington Elementary HVAC	4/1/2040	2,210,000
			<b>\$ 17,875,000</b>

More detailed information about the District's long-term liabilities may be found in Note 4 to the financial statements.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**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. Additional federal funding the District has received as a result of COVID-19 has assisted the District and directly impacted strengthening the District’s contingency for FY21 and for future years in the short term.

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.

**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, CPA, 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, 2021**

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,243,224	\$ 1,936,911	\$ 5,180,135
Accounts receivable			
Taxes	326,592	-	326,592
Other	110,524	26,748	137,272
Intergovernmental - indirect federal	2,627,061	-	2,627,061
Interfund receivable	2,431,837	-	2,431,837
Inventory	-	63,036	63,036
Capital assets			
Non-depreciable	1,482,708	4,089,109	5,571,817
Depreciable (net)	40,216,339	(2,204,406)	38,011,933
<b>Total assets</b>	<b>50,438,285</b>	<b>3,911,398</b>	<b>54,349,683</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
OPEB related	3,326,736	419,031	3,745,767
Pension related	2,403,881	419,209	2,823,090
Deferred amount on debt refundings	204,105	-	204,105
<b>Total deferred outflows of resources</b>	<b>5,934,722</b>	<b>838,240</b>	<b>6,772,962</b>
<b>LIABILITIES</b>			
Interfund payable	2,259,244	172,593	2,431,837
Accounts payable	84,524	13,046	97,570
Unearned revenue	382,488	-	382,488
Advance payments	88,339	-	88,339
Accrued interest	155,687	-	155,687
Noncurrent obligations			
Portion due or payable within one year			
Bonds payable	2,258,975	-	2,258,975
Capital leases	214,831	-	214,831
Compensated absences	88,520	-	88,520
Portion due or payable after one year			
Bonds payable	15,537,720	-	15,537,720
Capital leases	143,098	-	143,098
Compensated absences	235,707	56,622	292,329
Net OPEB liability	11,225,874	953,232	12,179,106
Net pension liability	13,321,926	3,050,893	16,372,819
<b>Total liabilities</b>	<b>45,996,933</b>	<b>4,246,386</b>	<b>50,243,319</b>

Continued

**GRAVES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION, continued**  
**JUNE 30, 2021**

	Governmental Activities	Business- type Activities	Total
<b>DEFERRED INFLOW OF RESOURCES</b>			
OPEB related	4,786,681	247,414	5,034,095
Pension related	1,024,122	76,788	1,100,910
Total deferred inflows of resources	<u>5,810,803</u>	<u>324,202</u>	<u>6,135,005</u>
<b>NET POSITION</b>			
Net investment in capital assets	23,544,423	1,884,703	25,429,126
Restricted	1,525,696	-	1,525,696
Unrestricted	<u>(20,504,848)</u>	<u>(1,705,653)</u>	<u>(22,210,501)</u>
Total net position	<u>\$ 4,565,271</u>	<u>\$ 179,050</u>	<u>\$ 4,744,321</u>

See accompanying notes to financial statements



**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

<b><u>FUNCTIONS/PROGRAMS</u></b>	Program Revenues			Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Current					
Instruction	\$ 28,455,951	\$ -	\$ -	\$ -	\$ (28,455,951)
Support services					
Student	2,500,924	-	-	-	(2,500,924)
Instructional staff	2,351,976	-	-	-	(2,351,976)
District administration	1,177,845	-	-	-	(1,177,845)
School administration	2,572,047	-	-	-	(2,572,047)
Business	646,154	-	-	-	(646,154)
Plant operation and maintenance	3,011,599	-	-	-	(3,011,599)
Student transportation	2,660,342	-	-	-	(2,660,342)
Community service activities	422,514	-	-	-	(422,514)
Day care	22,400	-	-	-	(22,400)
Other instructional	3,266	-	-	-	(3,266)
Other non-instructional	10,480	-	-	-	(10,480)
Interest on long-term debt	662,683	-	-	848,400	185,717
<b>Total governmental activities</b>	<b>44,498,181</b>	<b>-</b>	<b>-</b>	<b>848,400</b>	<b>(43,649,781)</b>
<b>Business-type Activities</b>					
Food service	3,208,119	66,382	3,171,114	-	29,377
Day care	97,201	85,181	-	-	(12,020)
<b>Total business-type activities</b>	<b>3,305,320</b>	<b>151,563</b>	<b>3,171,114</b>	<b>-</b>	<b>17,357</b>
<b>Total activities</b>	<b>\$ 47,803,501</b>	<b>\$ 151,563</b>	<b>\$ 3,171,114</b>	<b>\$ 848,400</b>	<b>\$ (43,632,424)</b>

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Net Revenues (Expenses)</b>	<u>(43,649,781)</u>	<u>17,357</u>	<u>(43,632,424)</u>
<b>General Revenues</b>			
Taxes			
Property	7,678,646	-	7,678,646
Motor vehicle	1,359,018	-	1,359,018
Utilities	1,395,058	-	1,395,058
Other	253,233	-	253,233
Investment earnings	87,805	25,960	113,765
Student activities	727,448	-	727,448
State aid and formula grants	34,064,104	338,709	34,402,813
Gain (loss) on sale of fixed assets	68,676	22,749	91,425
Miscellaneous	483,882	4,000	487,882
<b>Total general revenues</b>	<u>46,117,870</u>	<u>391,418</u>	<u>46,509,288</u>
Change in net position	2,468,089	408,775	2,876,864
Transfers in (out)	130,592	(133,992)	(3,400)
Change in net position after transfers	<u>2,598,681</u>	<u>274,783</u>	<u>2,873,464</u>
<b>Net position, beginning of year</b>	1,904,664	(95,733)	1,808,931
Prior period adjustment (Note 18)	61,926	-	61,926
<b>Net position, beginning of year, restated</b>	<u>1,966,590</u>	<u>(95,733)</u>	<u>1,870,857</u>
<b>Net position, end of year</b>	<u>\$ 4,565,271</u>	<u>\$ 179,050</u>	<u>\$ 4,744,321</u>

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021**

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,702,857	\$ 14,671	\$ 1,525,696	\$ 3,243,224
Accounts receivable				
Taxes	326,592	-	-	326,592
Other	110,524	-	-	110,524
Interfund receivable	2,431,837	-	-	2,431,837
Intergovernmental - indirect federal	-	2,627,061	-	2,627,061
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 4,571,810</u>	<u>\$ 2,641,732</u>	<u>\$ 1,525,696</u>	<u>\$ 8,739,238</u>

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET, continued  
JUNE 30, 2021**

	General	Special Revenue	Nonmajor Governmental	Total
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 84,524	\$ -	\$ -	\$ 84,524
Interfund payable	-	2,259,244	-	2,259,244
Insurance assessment	-	-	-	-
Unearned revenue	-	382,488	-	382,488
<b>Total liabilities</b>	<b>84,524</b>	<b>2,641,732</b>	<b>-</b>	<b>2,726,256</b>
Fund balances				
Nonspendable	-	-	-	-
Spendable				
Restricted	-	-	1,525,696	1,525,696
Committed	245,600	-	-	245,600
Assigned	-	-	-	-
Unassigned	4,241,686	-	-	4,241,686
<b>Total fund balances</b>	<b>4,487,286</b>	<b>-</b>	<b>1,525,696</b>	<b>6,012,982</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,571,810</b>	<b>\$ 2,641,732</b>	<b>\$ 1,525,696</b>	<b>\$ 8,739,238</b>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total fund balance per fund financial statements \$ 6,012,982

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 \$74,902,094 and the accumulated depreciation is \$33,203,047. 41,699,047

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. 204,105

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. (88,339)

Pension and postemployment benefits related items:

Deferred outflows - OPEB	3,326,736
Deferred outflows - pension	2,403,881
Deferred inflows - OPEB	(4,786,681)
Deferred inflows - pension	(1,024,122)
Net OPEB liability	(11,225,874)
Net pension liability	(13,321,926)

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	(17,796,695)
Capital lease obligations	(357,929)
Accrued interest on bonds	(155,687)
Accrued sick leave payable	(324,227)
	(18,634,538)

Net position for governmental activities \$ 4,565,271

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, 2021**

	General	Special Revenue	Nonmajor Governmental	Total
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 6,695,800	\$ -	\$ 982,846	\$ 7,678,646
Motor vehicle	1,359,018	-	-	1,359,018
Utilities	1,395,058	-	-	1,395,058
Other	253,233	-	-	253,233
Student activities	11,875	-	715,573	727,448
Investment earnings	78,303	163	9,339	87,805
Other local revenues	369,056	20,270	94,556	483,882
Intergovernmental - state	24,779,265	2,232,727	1,947,973	28,959,965
Intergovernmental - indirect federal	352,755	-	-	352,755
Intergovernmental - federal	-	5,599,784	-	5,599,784
<b>Total revenues</b>	<b>35,294,363</b>	<b>7,852,944</b>	<b>3,750,287</b>	<b>46,897,594</b>
<b>EXPENDITURES</b>				
Current				
Instruction	20,977,776	4,606,142	711,762	26,295,680
Support services				
Student	2,672,560	65,263	-	2,737,823
Instructional staff	976,252	1,368,013	5,766	2,350,031
District administration	962,109	168,819	-	1,130,928
School administration	2,568,007	-	-	2,568,007
Business	636,875	8,561	-	645,436
Plant operation and maintenance	2,326,104	738,943	-	3,065,047
Student transportation	2,277,917	83,584	-	2,361,501
Day care	-	22,400	-	22,400
Community service activities	(273)	422,532	-	422,259
Other instructional	-	-	3,266	3,266
Other non-instructional	-	-	10,480	10,480
Building improvements	-	-	484,512	484,512
Debt service	273,564	-	2,593,886	2,867,450
<b>Total expenditures</b>	<b>33,670,891</b>	<b>7,484,257</b>	<b>3,809,672</b>	<b>44,964,820</b>

Continued

**GRAVES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, continued**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General	Special Revenue	Nonmajor Governmental	Total
Excess (deficit) of revenues over (under) expenditures	1,623,472	368,687	(59,385)	1,932,774
<b>Other financing sources (uses)</b>				
Proceeds from disposal of fixed assets	68,676	-	-	68,676
Transfers in	584,787	173,647	1,962,319	2,720,753
Transfers (out)	(85,508)	(542,334)	(1,962,319)	(2,590,161)
Total other financing sources (uses)	567,955	(368,687)	-	199,268
Net changes in fund balances	2,191,427	-	(59,385)	2,132,042
<b>Fund balances, beginning of year</b>	2,295,859	-	1,585,081	3,880,940
<b>Fund balances, end of year</b>	<u>\$ 4,487,286</u>	<u>\$ -</u>	<u>\$ 1,525,696</u>	<u>\$ 6,012,982</u>

See accompanying notes to financial statements



**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, 2021**

Net change in total fund balances per fund financial statements \$ 2,132,042

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	569,979
Depreciation expense	(2,105,222)

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.

Capital lease payments	237,166
Bond payments	2,265,000

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:

Deferred other postemployment benefits	(843,837)
Deferrred pension	421,464
Amortization of bond discount	(7,256)
Amortization of gain/loss on debt refunding	(72,575)
Amortization of bond premium	1,231
Decrease in accrued interest payable	18,367
Decrease in compensated absences	(24,988)

Change in net position of governmental activities \$ 2,598,681

See accompanying notes to financial statements

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021**

	School Food Service	Day Care	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,936,911	\$ -	\$ 1,936,911
Accounts receivable	26,713	35	26,748
Inventory	63,036	-	63,036
Total current assets	<u>2,026,660</u>	<u>35</u>	<u>2,026,695</u>
Noncurrent assets			
Capital assets	4,049,640	39,469	4,089,109
Less: accumulated depreciation	<u>(2,188,289)</u>	<u>(16,117)</u>	<u>(2,204,406)</u>
Total noncurrent assets	<u>1,861,351</u>	<u>23,352</u>	<u>1,884,703</u>
Total assets	<u>3,888,011</u>	<u>23,387</u>	<u>3,911,398</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB related	393,029	26,002	419,031
Pension related	<u>385,242</u>	<u>33,967</u>	<u>419,209</u>
Total deferred outflows of resources	<u>778,271</u>	<u>59,969</u>	<u>838,240</u>

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION, continued  
PROPRIETARY FUNDS  
JUNE 30, 2021**

	School Food Service	Day Care	Total
<b>LIABILITIES</b>			
Current liabilities			
Interfund payable	-	172,593	172,593
Accounts payable	12,898	148	13,046
Total current liabilities	12,898	172,741	185,639
Noncurrent liabilities			
Compensated absences	56,622	-	56,622
Net OPEB liability	888,825	64,407	953,232
Net pension liability	2,831,089	219,804	3,050,893
Total noncurrent liabilities	3,776,536	284,211	4,060,747
Total liabilities	3,789,434	456,952	4,246,386
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB related	229,261	18,153	247,414
Pension related	70,107	6,681	76,788
Total deferred inflows of resources	299,368	24,834	324,202
<b>NET POSITION</b>			
Net investment in capital assets	1,861,351	23,352	1,884,703
Unrestricted	(1,283,871)	(421,782)	(1,705,653)
Total net position	<u>\$ 577,480</u>	<u>\$ (398,430)</u>	<u>\$ 179,050</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, 2021**

	School Food Service	Day Care	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 66,382	\$ -	\$ 66,382
Childcare fees	-	82,054	82,054
Other revenue	4,000	3,127	7,127
Total operating revenues	<u>70,382</u>	<u>85,181</u>	<u>155,563</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,645,379	84,932	1,730,311
Materials and supplies	1,451,782	3,511	1,455,293
Depreciation	99,060	3,947	103,007
Contract services	-	4,811	4,811
Other operating expenses	11,898	-	11,898
Total operating expenses	<u>3,208,119</u>	<u>97,201</u>	<u>3,305,320</u>
Operating income (loss)	<u>(3,137,737)</u>	<u>(12,020)</u>	<u>(3,149,757)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants	3,022,453	-	3,022,453
Donated commodities	148,661	-	148,661
State grants	50,861	20,917	71,778
State on-behalf payments	256,029	10,902	266,931
Transfers In (out)	(133,992)	-	(133,992)
Gain (loss) on disposal of equipment	22,749	-	22,749
Interest income	25,960	-	25,960
Total nonoperating revenues (expenses)	<u>3,392,721</u>	<u>31,819</u>	<u>3,424,540</u>
Change in net position	254,984	19,799	274,783
<b>Net position, beginning of year</b>	<u>322,496</u>	<u>(418,229)</u>	<u>(95,733)</u>
<b>Net position, end of year</b>	<u><u>\$ 577,480</u></u>	<u><u>\$ (398,430)</u></u>	<u><u>\$ 179,050</u></u>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	School Food Service	Day Care	Total
<b>Cash flows from operating activities</b>			
Cash received from			
Lunchroom sales	\$ 97,692	\$ -	\$ 97,692
Childcare fees	-	82,019	82,019
Other activities	4,000	3,127	7,127
Cash paid to/for			
Employees	(1,188,599)	(64,867)	(1,253,466)
Supplies	(1,307,826)	(36,385)	(1,344,211)
Other activities	(11,898)	(4,811)	(16,709)
<b>Net cash provided (used) by operating activities</b>	<u>(2,406,631)</u>	<u>(20,917)</u>	<u>(2,427,548)</u>
<b>Cash flows from noncapital financing activities</b>			
Operating transfers in (out)	(133,992)	-	(133,992)
Government grants	3,073,314	20,917	3,094,231
<b>Net cash provided (used) by noncapital financing activities</b>	<u>2,939,322</u>	<u>20,917</u>	<u>2,960,239</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	(19,082)	-	(19,082)
Proceeds from the sale of fixed assets	22,749	-	22,749
Receipt of interest income	25,960	-	25,960
<b>Net cash provided (used) by investing activities</b>	<u>29,627</u>	<u>-</u>	<u>29,627</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	562,318	-	562,318
<b>Cash and cash equivalents, beginning of year</b>	<u>1,374,593</u>	<u>-</u>	<u>1,374,593</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,936,911</u>	<u>\$ -</u>	<u>\$ 1,936,911</u>

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS, continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	School Food Service	Day Care	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (3,137,737)	\$ (12,020)	\$ (3,149,757)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
Depreciation	99,060	3,947	103,007
Donated commodities	148,661	-	148,661
State on-behalf payments	256,029	10,902	266,931
Changes in assets and liabilities			
OPEB	36,836	1,711	38,547
Pension	160,430	7,452	167,882
Accounts receivable	31,310	(35)	31,275
Inventory	(8,214)	-	(8,214)
Compensated absences	3,485	-	3,485
Interfund payable	-	(33,022)	(33,022)
Accounts payable	3,509	148	3,657
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (2,406,631)</u>	<u>\$ (20,917)</u>	<u>\$ (2,427,548)</u>
<b>Schedule of non-cash transactions</b>			
Donated commodities received from federal government	\$ 148,661	\$ -	\$ 148,661
On-behalf payments	256,029	10,902	266,931

See accompanying notes to financial statements

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**



**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 183,206
Accounts receivable	<u>250</u>
Total assets	<u>183,456</u>
<b>LIABILITIES</b>	
Accounts payable	<u>988</u>
Total liabilities	<u>988</u>
<b>NET POSITION</b>	<u><u>\$ 182,468</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Private Purpose Trust
<b>Additions</b>	
Interest income	\$ 1,431
Contributions received	146,163
Total additions	147,594
<b>Deductions</b>	
Community services	128,850
Total deductions	128,850
Operating transfers in (out)	3,400
Change in net position	22,144
<b>Net position, beginning of year</b>	160,324
<b>Net position, end of year</b>	\$ 182,468

**NOTES TO FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Nature of Operations

The Graves County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary 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’s financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

In accordance with Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, agencies, boards, commissions and authorities for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization’s governing body, and 1) the ability of the District to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. In addition, the GASB Statement No. 39, as amended by GASB Statement No. 61 sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units, or its constituents, 2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the organization and 3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

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

Based on the foregoing criteria, the financial statements of the Graves County School District Finance Corporation are included in the accompanying financial statements. In 1993, the Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Graves County Board of Education also comprise the Corporation’s Board of Directors.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Interfund services provided and used are not eliminated in the process of consolidation for these statements.

The statement of net position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – Consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

The *General Fund* is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the fund consists primarily of local property taxes and state governmental aid. This is a major fund of the District.

The *Special Revenue Funds* account for proceeds of specific revenue sources (other than agency funds 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 Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities 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.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Proprietary Fund Types

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

*Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The District has the following enterprise funds:

The *School Food Service Fund* accounts for the food service operations of the District.

The *Day Care Fund* is used to account for day care operations of the District.

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The District also reports a fiduciary fund which focuses on net position and changes in net position. The fiduciary fund reports on the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Revenues – Exchange and Nonexchange Transactions

Property taxes, other taxes, grants, entitlements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Revenue 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, revenue is recorded in the fiscal year in which the resources are measurable and become available.

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

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 principal operating revenue of the District's proprietary funds are charges for food sales or tuition and fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure restricted fund balance and then to less restrictive classifications—committed, assigned and then unassigned fund balances.



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The Significant Accounting Policies Followed by the District Include the Following:

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 funds' statements of cash flows.

Property Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

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, 2021, to finance the General Fund operations were \$.461 per \$100 valuation for real property, \$.461 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.

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.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to 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. 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 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

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Unearned Revenue

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

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.

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.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions and Other Postemployment Benefits (OPEB)

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 (CERS), and Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, 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.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate financial statement element, *deferred outflows of resources*, which 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 net OPEB liability described in Note 11 and the deferred amount on refunding of debt.

In addition to liabilities, the statement of net position will sometimes report a separate financial statement element, *deferred inflows of resources*, which 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 described in Note 10 and the net OPEB liability described in Note 11.

Cash Flows

For the purpose of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fund Balances

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

Non-spendable – Amounts which cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Education intend to use for specific purposes. The authority to assign fund balances has been designated by the District's Board of Education to the Finance Officer.

Unassigned – All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first followed by assigned funds and then unassigned.

**Net Position**

In proprietary funds, fiduciary funds and government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Interfund Activity**

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

**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 differ from those estimates.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Subsequent Events

Subsequent events have been evaluated through October 29, 2021, which is the date the financial statements were available to be issued.

**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 for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. The District's cash deposits are covered by Federal Depository Insurance Corporation up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. At June 30, 2021, the District's bank balance of \$6,303,893 was fully collateralized.

At June 30, 2021, the carrying amount of the District's cash and cash equivalents was \$5,363,341.

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

Reconciliation to Government-wide Statement of Net Position:	
Unrestricted cash	\$ 5,180,135
Private purpose trust funds	
cash (not included in government-wide statement)	<u>183,206</u>
	<u><u>\$ 5,363,341</u></u>

These amounts are reported in the financial statements as follows:

Governmental activities	\$ 3,243,224
Business-type activities	1,936,911
Private purpose trust funds	<u>183,206</u>
	<u><u>\$ 5,363,341</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

<u>Governmental Activities</u>	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
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>3,237,414</u>	<u>-</u>	<u>1,754,706</u>	<u>1,482,708</u>
Capital assets depreciated				
Land improvements	164,075	-	-	164,075
Buildings and improvements	59,926,867	2,239,218	-	62,166,085
Technology equipment	284,855	-	42,384	242,471
Vehicles	6,655,416	125,373	345,086	6,435,703
General equipment	3,196,414	50,717	-	3,247,131
Land infrastructure	107,843	-	-	107,843
Technology equipment under capital lease	1,056,078	-	-	1,056,078
Total depreciable historical cost	<u>71,391,548</u>	<u>2,415,308</u>	<u>387,470</u>	<u>73,419,386</u>
Less: accumulated depreciation				
Land improvements	103,815	8,204	-	112,019
Buildings and improvements	22,382,157	1,457,955	-	23,840,112
Technology equipment	271,410	4,341	42,384	233,367
Vehicles	5,362,112	341,277	345,086	5,358,303
General equipment	2,829,716	70,065	-	2,899,781
Land infrastructure	64,069	5,392	-	69,461
Technology equipment under capital lease	443,318	246,686	-	690,004
Total accumulated depreciation	<u>31,456,597</u>	<u>2,133,920</u>	<u>387,470</u>	<u>33,203,047</u>
Total depreciable cost - net	<u>39,934,951</u>	<u>281,388</u>	<u>-</u>	<u>40,216,339</u>
Governmental activities capital assets - net	<u>\$ 43,172,365</u>	<u>\$ 281,388</u>	<u>\$ 1,754,706</u>	<u>\$ 41,699,047</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 1,745,208
Support services	
Student	267
Instructional staff	1,945
District administration	21,929
School administration	4,040
Business	718
Plant operation and maintenance	32,019
Student transportation	298,841
Community service activities	255
	\$ 2,105,222

Business-type Activities	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets depreciated				
Buildings and improvements	\$ 3,034,646	\$ -	\$ -	\$ 3,034,646
Technology equipment	12,590	-	2,351	10,239
General equipment	1,036,230	19,082	11,089	1,044,223
Total depreciable historical cost	4,083,466	19,082	13,440	4,089,108
Less: accumulated depreciation				
Buildings and improvements	1,240,225	60,693	-	1,300,918
Technology equipment	12,590	-	2,351	10,239
General equipment	862,022	42,315	11,089	893,248
Total accumulated depreciation	2,114,837	103,008	13,440	2,204,405
Business-type activities capital assets - net	\$ 1,968,629	\$ (83,926)	\$ -	\$ 1,884,703



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 – LONG-TERM OBLIGATIONS**

The various issues of school building revenue bonds are as follows:

Issue Date	Proceeds	Rates	Maturity Dates
2011	\$ 10,965,000	2.00% - 3.125%	6/1/2023
2013	8,395,000	1.20% - 4.00%	6/1/2029
2014	9,135,000	1.00% - 3.55%	2/1/2035
2015	1,620,000	0.45% - 2.10%	3/1/2026
2020	2,245,000	3.00% - 3.375%	4/1/2040

The District, through the General Fund, including utility taxes and the 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 Finance 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.

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

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, 2021 for debt service (principal and interest) are as follows:

	Graves County School District		School Facilities Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	681,072	215,237	613,928	135,357	1,295,000	350,594
2027-2031	3,306,408	732,769	2,253,592	409,606	5,560,000	1,142,375
2032-2036	2,514,769	224,702	1,070,231	131,886	3,585,000	356,588
2037-2040	26,950	2,235	208,050	17,846	235,000	20,081
	<u>\$ 11,239,909</u>	<u>\$ 2,291,719</u>	<u>\$ 6,635,091</u>	<u>\$ 1,400,776</u>	<u>\$ 17,875,000</u>	<u>\$ 3,692,495</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

A summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation debt	\$ 20,140,000	\$ -	\$ 2,265,000	\$ 17,875,000	\$ 2,265,000
Premium (discounts)	(84,330)	-	(6,025)	(78,305)	(6,025)
Total bonds payable	<u>20,055,670</u>	<u>-</u>	<u>2,258,975</u>	<u>17,796,695</u>	<u>2,258,975</u>
Other liabilities					
Compensated absences	299,239	45,227	20,239	324,227	88,520
Capital lease obligation	595,095	-	237,166	357,929	214,831
Insurance assessment	45,821	-	45,821	-	-
Net OPEB liability	11,524,815	-	298,941	11,225,874	-
Net pension liability	12,665,141	656,785	-	13,321,926	-
Total other liabilities	<u>25,130,111</u>	<u>702,012</u>	<u>602,167</u>	<u>25,229,956</u>	<u>303,351</u>
Total long-term liabilities	<u>\$ 45,185,781</u>	<u>\$ 702,012</u>	<u>\$ 2,861,142</u>	<u>\$ 43,026,651</u>	<u>\$ 2,562,326</u>
<b>Business-type activities</b>					
Other liabilities					
Compensated absences	\$ 53,137	\$ 3,485	\$ -	\$ 56,622	\$ -
Net OPEB liability	716,472	236,760	-	953,232	-
Net pension liability	2,920,226	130,667	-	3,050,893	-
Total other liabilities	<u>\$ 3,689,835</u>	<u>\$ 370,912</u>	<u>\$ -</u>	<u>\$ 4,060,747</u>	<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 that the amount for governmental activities will be approximately \$324,227, with \$88,520 considered the short-term portion and \$235,707 considered the long-term portion. Management has estimated that the amount for business type activities will be approximately \$56,622, with \$0 considered the short-term portion and \$56,622 considered the long-term portion.

**NOTE 6 – NET POSITION DEFICIT BALANCE/EXCEEDING BUDGET**

The Day Care Fund has a deficit balance of (\$398,430). Excluding the effect on net position of GASB 68 related pension accounts and GASB 75 related OPEB accounts of (\$249,076), Day Care has a net position of (\$149,354).

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – FUND BALANCE REPORTING**

The following is a summary of designations of Fund Balance at June 30, 2021:

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted				
Capital Outlay Fund	-	-	354,106	354,106
Construction Fund	-	-	-	-
District Activity Fund	-	-	154,750	154,750
School Activity Fund	-	-	597,990	597,990
Assigned	-	-	-	-
Committed				
Sick leave	245,600	-	-	245,600
Unassigned	<u>4,241,686</u>	<u>-</u>	<u>-</u>	<u>4,241,686</u>
	<u>\$ 4,487,286</u>	<u>\$ -</u>	<u>\$ 1,106,846</u>	<u>\$ 5,594,132</u>

**NOTE 8 – 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 Fund	Special Revenue	KETS match	\$ 82,108
General Fund	Trust & Agency	Dolly Parton library	3,400
Special Revenue	General Fund	Indirect cost	113,907
Special Revenue	General Fund	Headstart	336,888
Special Revenue	Special Revenue	Flex focus from ESS	91,539
School Food Services	General Fund	Indirect cost	133,992
Capital Outlay	Construction Fund	HVAC construction	216,833
Capital Outlay	Debt Service Fund	Debt service payments	36,260
Building Fund	Debt Service Fund	Debt service payments	1,709,226
			<u>\$ 2,724,153</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021:

Health insurance	\$ 4,755,240
Life insurance	7,117
Administrative fee	57,779
Health reimbursement account- HRA/dental/vision	<u>225,750</u>
	5,045,886
Federal reimbursements of health benefits	<u>(183,454)</u>
	4,862,432
KTRS OPEB and pension	5,728,904
Technology	108,691
SFCC debt service	<u>848,400</u>
	<u><u>\$ 11,548,427</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	\$ 10,433,096
Debt Service Fund	848,400
Business-type activities	
Day Care Fund	10,902
Food Service Fund	<u>256,029</u>
	<u><u>\$ 11,548,427</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS**

The District participates in the County Employee 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 this 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.

**General Information about the County Employees Retirement System Non-Hazardous (CERS) Pension Plan**

*Plan description* – The District 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. Effective April 1, 2021, administration of CERS was transferred from the Kentucky Public Pensions Authority's Board of Trustees to the CERS board of trustees established by House Bill 484, which created a new section of Kentucky Revised Statute 61.510 to 61.705.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

*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. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

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

*Contributions* – Contribution rates are established by the Kentucky Revised Statutes. For the fiscal year ended June 30, 2021, participating employers contributed 19.30% of each employee's creditable compensation. The actuarially determined contribution requirements of plan members and the Board were established and could be amended by the Kentucky Systems Board of Trustees.

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

At June 30, 2021, The District reported a liability of \$16,372,819 for its proportionate share of the net pension liability. The net pension liability of the plan was measured as of June 30, 2020, 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, 2021, the District's proportion was 0.213468%.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

For the year ended June 30, 2021, the District recognized pension expense of \$2,059,201. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 408,286	\$ -
Change of assumptions	639,331	-
Net differences between projected and actual earnings on pension plan investments	709,707	299,998
Changes in proportion and difference between District contributions and proportionate share of contributions	4,414	800,912
District contributions subsequent to the measurement date	<u>1,061,352</u>	<u>-</u>
Total	<u>\$ 2,823,090</u>	<u>\$ 1,100,910</u>

For the year ended June 30, 2021, \$1,061,352 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	
2021	\$ 171,740
2022	147,311
2023	177,229
2024	164,548
2025	-
Thereafter	<u>-</u>
Total	<u>\$ 660,828</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

*Actuarial assumptions* – The total pension liability, net pension liability and sensitivity information for the actuarial valuation as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan’s fiscal year ended June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018, and the Board adopted updated assumptions for first use in the June 30, 2019 actuarial valuation.

Inflation	2.30%
Projected salary increases	3.30% - 11.55%, varies by service
Investment rate of return	6.25%, net of investment expense and inflation
Payroll growth rate	2.00%

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

The mortality table used for active members is the PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is 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. For disabled members, the mortality table used is the 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, 2021**

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	18.75%	4.50%
International equity	18.75%	5.26%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
 Total	 <u>100.0%</u>	

*Discount rate* – The discount rate used to measure the total pension liability for the measurement period with year ended June 30, 2020 was 6.25%. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ended 2021.

*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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$20,191,248	\$ 16,372,819	\$ 13,211,014

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

*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, 2021, the District reported a payable of \$143,801 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**General Information about the Teachers’ Retirement System of the State of Kentucky (KTRS) Pension Plan**

*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://trs.ky.gov/financial-reports-information/>.

*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 2.00% (service prior to July 1, 1983) and 2.50% (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.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

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.

*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, 2021, the District did not report a liability for its proportionate share of the net pension liability, because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District:

Commonwealth's proportionate share of KTRS net pension liability associated with the District	<u>\$ 73,594,135</u>
	<u><u>\$ 73,594,135</u></u>

The total pension liability was rolled forward from the actuarial valuation date of June 30, 2019 to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary.

For the year ended June 30, 2021, the District recognized pension expense of \$8,165,907 and revenue of \$8,165,907 for support provided by the State in the government-wide statements.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

*Actuarial assumptions* – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

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%
Municipal bond index rate	2.19%
Single equivalent interest rate	7.50%

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 one year for females and two years for males. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on November 19, 2016.

*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%	4.60%
International equity	22.00%	5.60%
Fixed income	15.00%	0.00%
Additional categories	7.00%	2.50%
Real estate	7.00%	4.30%
Private equity	7.00%	7.70%
Cash	2.00%	-0.05%
Total	<u>100.00%</u>	

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 – PENSION PLANS, continued**

*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 the actuarially determined contribution rates 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 OTHER THAN PENSIONS (OPEB)**

**General Information about the County Employees Retirement System Non-Hazardous (CERS) OPEB Plan**

*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 Public Pensions Authority (KPPA) 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. Effective April 1, 2021, administration of the Insurance Fund was transferred from the Kentucky Public Pensions Authority's Board of Trustees to the CERS board of trustees established by House Bill 484.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

*Benefits provided* – The KPPA’s 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. KPPA 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 KPPA board is a percentage of each employee’s creditable compensation. For the year ended June 30, 2021, required contributions were 4.76% of each employee’s covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2021 were \$261,764. The KPPA 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 KPPA 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 KPPA 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, 2021, the District reported a liability of \$5,153,106 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year end, June 30, 2020, 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, 2021, the District’s proportion was 0.213406%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$597,889.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 860,976	\$ 861,648
Changes of assumptions	896,336	5,451
Net difference between projected and actual earnings on OPEB plan investments	276,426	105,149
Changes in proportion and differences between District contributions and proportionate share of contributions	-	410,847
District contributions subsequent to the measurement date	261,764	-
<b>Total</b>	<b>\$2,295,502</b>	<b>\$ 1,383,095</b>

For the year ended June 30, 2021, \$261,764 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, 2022. 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 Ending June 30		
2021	\$	182,457
2022		233,145
2023		136,248
2024		128,555
2025		(29,762)
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>650,643</b>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

*Actuarial assumptions* – The total OPEB liability, net OPEB liability and sensitivity information for the actuarial valuation as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date (June 30, 2019) to the plan’s fiscal year ended June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018 and the Board adopted updated assumptions for first use in the June 30, 2019 actuarial valuation. The assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.90% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% - 11.55%, varies by service
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.00% 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 used for active members is the PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is 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. For disabled members, the mortality table used is 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 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  
JUNE 30, 2021**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	18.75%	4.50%
International equity	18.75%	5.26%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
<b>Total</b>	<b>100.00%</b>	

*Discount rate* – The discount rates used to measure the total OPEB liability for the year ended June 30, 2021 were 5.34% for non-hazardous and 5.68% for hazardous. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249 (passed in 2020). The cost associated with the implicit employer subsidy was not included in the calculation of the Kentucky Public Pensions Authority’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Kentucky Public Pensions Authority’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. There was a change in the Municipal Bond Index Rate from the prior measurement date, so as required under GASB 75, the single discount rate at the measurement date of 5.34% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

*Sensitivity of the District’s proportionate share of the 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 6,620,228	\$ 5,153,106	\$ 3,948,110

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

*Sensitivity of the District's proportionate share of the 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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,989,792	\$ 5,153,106	\$ 6,564,815

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

*Payable to the OPEB plan* – At June 30, 2021, the District reported a payable of \$35,466 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2021.

**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>.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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 postemployment 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.

*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, 2021, the District reported a liability of \$7,026,000 for its proportionate share of the net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2020, 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, 2021, the District's proportion was 0.278378%.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The amounts 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	\$	7,026,000
State's proportionate share of net OPEB liability associated with the District		<u>5,628,000</u>
<b>Total</b>	<b>\$</b>	<b><u>12,654,000</u></b>

For the year ended June 30, 2021, the District recognized OPEB expense of (\$140,000) and revenue of \$129,000 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$2,995,000
Changes of assumptions	426,000	-
Net difference between projected and actual earnings on OPEB plan investments	229,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	83,000	656,000
District contributions subsequent to the measurement date	<u>712,265</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,450,265</u></b>	<b><u>\$ 3,651,000</u></b>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$712,265 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, 2022. 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 Ending June 30	
2021	\$ (598,000)
2022	(580,000)
2023	(584,000)
2024	(518,000)
2025	(442,000)
Thereafter	<u>(191,000)</u>
Total	<u>\$ (2,913,000)</u>

*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 2018 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premium	1.02% for FY 2018 with an ultimate rate of 5.00% by 2031
Municipal bond index rate	2.19%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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, 2019 valuation were based on the results of the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation. The healthcare cost trend assumption was updated for the June 30, 2019 valuation and was shown as an assumption change in the Total OPEB Liability (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.

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	5.40%
Fixed income	9.00%	0.00%
Real estate	6.50%	4.30%
Private equity	8.50%	7.70%
Other additional categories	17.00%	2.50%
Cash (LIBOR)	1.00%	-0.50%
Total	<u>100.00%</u>	

*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, 2019. 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.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

*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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 8,491,000	\$ 7,026,000	\$ 5,802,000

*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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,989,792	\$ 5,153,106	\$ 6,564,815

*OPEB 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* – 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.

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

*Benefits provided* – TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 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**

At June 30, 2021, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amounts 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 the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		170,000
Total	\$	170,000

For the year ended June 30, 2021, the District recognized OPEB expense of \$0 and revenue of \$0 for support provided by the State in the government-wide financial statements.

*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	2.19%
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  
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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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, 2019 valuation were based on the results of the most recent actuarial experience studies for the System, 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
US equity	40.00%	4.60%
International equity	23.00%	5.60%
Fixed income	18.00%	0.00%
Real estate	6.00%	4.40%
Private equity	5.00%	7.70%
Other additional categories	6.00%	2.50%
Cash (LIBOR)	2.00%	-0.50%
<b>Total</b>	<b>100.00%</b>	

*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 was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2019. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the LIF’s fiduciary net position was not projected to be depleted.

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

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 12 - 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.

COVID-19

The COVID-19 outbreak is disrupting business across a range of industries in the United States, and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

**NOTE 13 – INSURANCE AND RELATED ACTIVITIES**

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

**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' Association; however, risk has not been transferred. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021 is \$88,339.

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 District at risk for a substantial loss.

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

**NOTE 17 – INTERFUND RECEIVABLES AND PAYABLES**

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 Receivables	Interfund Payables
General Fund	\$2,431,837	\$ -
Special Revenue Fund	-	2,259,244
Day Care Fund	-	172,593
	\$2,431,837	\$2,431,837

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

The beginning balance of net assets was adjusted to correct the following error made in the prior year:

Governmental Activities: Fixed Assets	\$61,926
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**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 19 – RECENT ACCOUNTING PRONOUNCEMENTS**

The District adopted the following statements during the year ended June 30, 2021:

GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statement No. 14 and No. 61*, issued August 2018, will be effective for the District beginning with its fiscal year ending June 30, 2021. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting of a majority equity interest. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, the provisions of this Statement were effective immediately upon issuance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the 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 effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statements Nos. 83, 84, 88, 89, 90, 91, 92 and 93, and Implementation Guide Nos. 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: GASB Statement No. 87 and Implementation Guide No. 2019-3.

Adoption of the above Statements did not have a significant impact on the District's financial position or results of operations.

As of June 30, 2021, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District, in the future, are as follows:

GASB Statement No. 87, *Leases*, issued June 2017, in the future will be effective for the District beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leased 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 19 – RECENT ACCOUNTING PRONOUNCEMENTS, continued**

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the District beginning with its fiscal year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5–22 of GASB Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 92, *Omnibus 2020, issued January 2020*, will be effective for the District beginning with its fiscal year ending June 30, 2022, except for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers, assets accumulated for postemployment benefits, applicability of GASB Statement No. 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities, and terminology to refer to derivative instruments.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the District beginning with its fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets—an intangible asset and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and 4) requires note disclosures regarding a SBITA.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

**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, 2021**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 6,628,300	\$ 6,628,300	\$ 6,695,800	\$ 67,500
Motor vehicle	1,220,000	1,220,000	1,359,018	139,018
Utilities	1,527,000	1,527,000	1,395,058	(131,942)
Other	302,000	302,000	253,233	(48,767)
Student activities	15,000	-	11,875	11,875
Earnings on investments	75,000	75,000	78,303	3,303
Other local revenues	160,026	175,024	369,056	194,032
Intergovernmental - state	25,051,641	25,051,641	24,779,265	(272,376)
Intergovernmental - indirect federal	375,000	375,000	352,755	(22,245)
<b>Total revenues</b>	<u>35,353,967</u>	<u>35,353,965</u>	<u>35,294,363</u>	<u>(59,602)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	21,988,029	21,760,164	20,977,776	782,388
Support services				
Student	2,688,495	2,688,495	2,672,560	15,935
Instructional staff	847,236	847,236	976,252	(129,016)
District administration	3,454,884	3,454,884	962,109	2,492,775
School administration	2,368,836	2,368,836	2,568,007	(199,171)
Business	579,975	579,975	636,875	(56,900)
Plant operation and maintenance	3,313,526	3,313,526	2,326,104	987,422
Student transportation	2,671,533	2,671,533	2,277,917	393,616
Community service activities	4,094	4,094	(273)	4,367
Debt service	85,000	85,000	273,564	(188,564)
<b>Total expenditures</b>	<u>38,001,608</u>	<u>37,773,743</u>	<u>33,670,891</u>	<u>4,102,852</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,647,641)</u>	<u>(2,419,778)</u>	<u>1,623,472</u>	<u>4,043,250</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of fixed assets	-	-	68,676	68,676
Transfers in	606,518	606,519	584,787	(21,732)
Transfers (out)	(68,736)	(296,600)	(85,508)	211,092
<b>Total other financing sources (uses)</b>	<u>537,782</u>	<u>309,919</u>	<u>567,955</u>	<u>258,036</u>
Net change in fund balance	(2,109,859)	(2,109,859)	2,191,427	4,301,286
<b>Fund balance, beginning of year</b>	<u>2,109,859</u>	<u>2,109,859</u>	<u>2,295,859</u>	<u>186,000</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,487,286</u>	<u>\$ 4,487,286</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, 2021**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>REVENUES</b>				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 163	\$ 163
Other local revenues	3,844	20,444	20,270	(174)
Intergovernmental - state	1,491,587	1,617,919	2,232,727	614,808
Intergovernmental - federal	4,294,064	18,981,102	5,599,784	(13,381,318)
Total revenues	<u>5,789,495</u>	<u>20,619,465</u>	<u>7,852,944</u>	<u>(12,766,521)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	3,909,039	15,140,534	4,606,142	10,534,392
Support services				
Student	43,095	65,263	65,263	-
Instructional staff	1,024,909	2,070,518	1,368,013	702,505
District administration	-	350,905	168,819	182,086
Business	4,500	-	8,561	(8,561)
Plant operation and maintenance	-	1,959,125	738,943	1,220,182
Student transportation	420,315	20,775	83,584	(62,809)
Community services	-	421,522	422,532	(1,010)
Total expenditures	<u>5,401,858</u>	<u>20,028,642</u>	<u>7,461,857</u>	<u>12,566,785</u>
Excess (deficit) of revenues over (under) expenditures	<u>387,637</u>	<u>590,823</u>	<u>391,087</u>	<u>(199,736)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	68,736	160,275	173,647	13,372
Transfers (out)	<u>(456,373)</u>	<u>(751,098)</u>	<u>(542,334)</u>	<u>208,764</u>
Total other financing sources (uses)	<u>(387,637)</u>	<u>(590,823)</u>	<u>(368,687)</u>	<u>222,136</u>
Net change in fund balance	-	-	22,400	22,400
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,400</u>	<u>\$ 22,400</u>



**GRAVES COUNTY SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**NOTE 1 – BUDGETARY INFORMATION**

The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary accounting method and GAAP are:

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

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

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 expenditures for the subsequent fiscal year by January 31 of each calendar year.

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.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

The General Fund FY 21 budget includes \$11,548,427 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>2021</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	0.213468%	0.221602%	0.243598%	0.242956%	0.238620%	0.226630%	0.226742%
District's proportionate share of net pension liability	\$ 16,372,819	\$ 15,585,367	\$ 14,835,861	\$ 14,220,962	\$ 11,748,778	\$ 9,743,869	\$ 7,520,200
District's covered-employee payroll	\$ 5,539,826	\$ 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 as a percentage of its covered-employee payroll	295.55%	296.44%	242.82%	238.01%	204.10%	184.61%	144.91%
Plan fiduciary net position as a percentage of total pension liability	47.81%	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's 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,061,352	\$ 1,069,186	\$ 852,769	\$ 884,717	\$ 1,116,113	\$ 982,046	\$ 932,674
Contributions in relation to the contractually required contribution	<u>1,061,352</u>	<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 (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,499,235	\$ 5,539,826	\$ 5,257,518	\$ 6,109,927	\$ 5,974,914	\$ 5,756,421	\$ 5,278,202
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

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

House Bill 271 passed during the 2020 Legislative Session and removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries.

Changes in assumptions

No changes.

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

<u>As of June 30</u>	<u>2021</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	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability	\$ 73,594,135	\$ 74,401,747	\$ 72,998,173	\$154,512,637	\$166,133,398	\$130,876,133	\$115,182,631
District's covered-employee payroll	\$ 17,812,145	\$ 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%	0.00%
Plan fiduciary net position as a percentage of total pension liability	58.27%	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's end.

See accompanying notes to the required supplementary information

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

<u>For the year ended June 30</u>	<u>2021</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 contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,501,949	\$ 17,812,145	\$ 17,082,528	\$ 18,440,182	\$ 19,061,197	\$ 18,188,450	\$ 17,562,861
Contributions as a percentage of covered-employee payroll	0.00%	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 3.50% to 2.19%.

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

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.213406%	0.221545%	0.243588%	0.242956%
District's proportionate share of collective net OPEB liability	\$5,153,106	\$3,726,287	\$4,324,857	\$4,884,247
District's covered-employee payroll	\$5,539,826	\$5,257,518	\$6,109,927	\$5,974,914
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	93.02%	70.88%	70.78%	81.75%
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	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's 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 261,764	\$ 263,696	\$ 276,545	\$ 287,167
Contributions in relation to the contractually required contribution	<u>261,764</u>	<u>263,696</u>	<u>276,545</u>	<u>287,167</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$5,499,235	\$5,539,826	\$5,257,518	\$6,109,927
Contributions as a percentage of covered-employee payroll	4.76%	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

- The single discount rate of non-hazardous changed from 5.68% to 5.34%.
- The municipal bond rate decreased from 3.13% to 2.45%.
- The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs.
- The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed loan on pre-Medicare premiums were reduced by 11.00% to reflect the repeal of the Health Insurer Fee.

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

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ 7,026,000	\$ 8,515,000	\$ 9,982,000	\$ 10,773,000
State's proportionate share of collective net OPEB liability	\$ 5,628,000	\$ 6,877,000	\$ 8,603,000	\$ 8,800,000
District's covered-employee payroll	\$ 17,812,145	\$ 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	39.44%	49.85%	54.13%	56.52%
Plan fiduciary net position as a percentage of total OPEB liability	39.05%	32.58%	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's 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 712,265	\$ 729,044	\$ 506,624	\$ 422,815
Contributions in relation to the contractually required contribution	<u>712,265</u>	<u>729,044</u>	<u>506,624</u>	<u>422,815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,501,949	\$ 17,812,145	\$ 17,082,528	\$ 18,440,182
Contributions as a percentage of covered-employee payroll	4.07%	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 COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of collective net OPEB liability	\$ 170,000	\$ 160,000	\$ 148,000	\$ 118,000
District's covered-employee payroll	\$ 17,812,145	\$ 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	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	71.57%	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's 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,501,949	\$ 17,812,145	\$ 17,082,528	\$ 19,061,197
Contributions as a percentage of covered-employee payroll	0.00%	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

Updated healthcare cost trend rates.

**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, 2021**

	FSPK	Capital Outlay	Construction Fund	Debt Service	District Activity	Student Activity	Total Nonmajor Governmental
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 354,106	\$ 418,850	\$ -	\$ 154,750	\$ 597,990	\$ 1,525,696
Total assets and resources	<u>\$ -</u>	<u>\$ 354,106</u>	<u>\$ 418,850</u>	<u>\$ -</u>	<u>\$ 154,750</u>	<u>\$ 597,990</u>	<u>\$ 1,525,696</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Spendable							
Restricted	-	354,106	418,850	-	154,750	597,990	1,525,696
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>354,106</u>	<u>418,850</u>	<u>-</u>	<u>154,750</u>	<u>597,990</u>	<u>1,525,696</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 354,106</u>	<u>\$ 418,850</u>	<u>\$ -</u>	<u>\$ 154,750</u>	<u>\$ 597,990</u>	<u>\$ 1,525,696</u>

**GRAVES COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	FSPK	SEEK Capital Outlay	Construction Fund	Debt Service	District Activity	Student Activity	Total Nonmajor Governmental
<b>REVENUES</b>							
From local sources							
Taxes							
Property	\$ 982,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 982,846
Student activities	-	-	-	-	-	715,573	715,573
Investment earnings	-	-	6,342	-	-	2,997	9,339
Other local revenues	-	-	-	-	94,556	-	94,556
Intergovernmental - state	726,380	373,193	-	848,400	-	-	1,947,973
<b>Total revenues</b>	<b>1,709,226</b>	<b>373,193</b>	<b>6,342</b>	<b>848,400</b>	<b>94,556</b>	<b>718,570</b>	<b>3,750,287</b>
<b>EXPENDITURES</b>							
Instruction	-	-	-	-	23,335	688,427	711,762
Supporting services							
Instructional staff	-	-	-	-	-	5,766	5,766
Other instructional	-	-	-	-	-	3,266	3,266
Other non-instructional	-	-	-	-	-	10,480	10,480
Building improvements	-	-	484,512	-	-	-	484,512
Debt service	-	-	-	2,593,886	-	-	2,593,886
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>484,512</b>	<b>2,593,886</b>	<b>23,335</b>	<b>707,939</b>	<b>3,809,672</b>
Excess (deficit) of revenues over (under) expenditures	1,709,226	373,193	(478,170)	(1,745,486)	71,221	10,631	(59,385)

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS, continued  
 FOR THE YEAR ENDED JUNE 30, 2021**

	FSPK	SEEK Capital Outlay	Construction Fund	Debt Service	District Activity	Student Activity	Total Nonmajor Governmental
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	216,833	1,745,486	-	-	1,962,319
Transfers (out)	(1,709,226)	(253,093)	-	-	-	-	(1,962,319)
Total other financing sources (uses)	(1,709,226)	(253,093)	216,833	1,745,486	-	-	-
Net change in fund balances	-	120,100	(261,337)	-	71,221	10,631	(59,385)
<b>Fund balances, beginning of year</b>	-	234,006	680,187	-	83,529	587,359	1,585,081
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 354,106</u>	<u>\$ 418,850</u>	<u>\$ -</u>	<u>\$ 154,750</u>	<u>\$ 597,990</u>	<u>\$ 1,525,696</u>

**GRAVES COUNTY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
 SCHOOL ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2021
Central Elementary	\$ 39,354	\$ 15,339	\$ 24,397	\$ 30,296	\$ -	\$ -	\$ 30,296
Fancy Farm Elementary	9,475	14,492	11,500	12,467	-	-	12,467
Farmington Elementary	25,885	16,826	20,000	22,711	-	-	22,711
Lowes Elementary	17,649	18,092	26,687	9,054	-	-	9,054
Sedalia Elementary	10,597	9,498	6,320	13,775	-	-	13,775
Symsonia Elementary	42,665	22,946	20,605	45,006	-	-	45,006
Wingo Elementary	22,910	8,152	15,526	15,536	-	-	15,536
Graves County Middle School	45,817	70,684	70,942	45,559	-	-	45,559
Graves County High School	373,007	542,544	511,965	403,586	-	-	403,586
<b>Totals</b>	<b>\$ 587,359</b>	<b>\$ 718,573</b>	<b>\$ 707,942</b>	<b>\$ 597,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 597,990</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, 2021**

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2020	Receipts	Disbursements	June 30, 2021	Receivable	Payable	Student Groups June 30, 2021
General administration	\$ 45,440	\$ 13,766	\$ 11,662	\$ 47,544	\$ -	\$ -	\$ 47,544
Credit recovery	1,600	705	2,305	-	-	-	-
Youth Service Center	472	5,699	4,050	2,121	-	-	2,121
Start Up Money	-	5,000	5,000	-	-	-	-
Counselors' activity	888	3,814	667	4,035	-	-	4,035
Testing fees	5,804	6,849	7,134	5,519	-	-	5,519
Calculator rental	6,053	1,250	471	6,832	-	-	6,832
Lead Mentoring-YSC	-	-	-	-	-	-	-
Student concessions	6,682	-	2,662	4,020	-	-	4,020
Technology fees	3,473	47,928	51,401	-	-	-	-
General (fees)	60,089	61,102	57,536	63,655	-	-	63,655
Performing Arts Center	23,824	43	153	23,714	-	-	23,714
Sport's concessions	-	18,320	18,320	-	-	-	-
Athletic administration	-	28,750	5,792	22,958	-	-	22,958
General athletics	-	3,133	3,133	-	-	-	-
Tournament account	111	14,784	12,073	2,822	-	-	2,822
Sports revenue	-	77,730	50,038	27,692	-	-	27,692
Special projects - sports	16,242	35,368	39,682	11,928	-	-	11,928
Baseball activity	-	18,760	18,760	-	-	-	-

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, 2021**

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2020	Receipts	Disbursements	June 30, 2021	Receivable	Payable	Student Groups
							June 30, 2021
Boys basketball activity	1,550	12,655	14,205	-	-	-	-
Fishing club	4,247	550	2,559	2,238	-	-	2,238
Unified track	3,018	-	-	3,018	-	-	3,018
Elementary basketball	902	11,130	10,807	1,225	-	-	1,225
Girls' basketball activity	-	26,806	26,806	-	-	-	-
Cheerleaders - co-ed	-	24,072	24,072	-	-	-	-
Cheerleaders - all girl	18,790	27,547	18,712	27,625	-	-	27,625
Cross country activity	5,710	3,883	8,240	1,353	-	-	1,353
Football (elem/middle)	-	905	548	357	-	-	357
Football activity	3,797	24,633	28,430	-	-	-	-
Elementary football	8,180	10,835	14,514	4,501	-	-	4,501
Golf activity	1,735	8,755	8,143	2,347	-	-	2,347
Girls' soccer	-	4,631	4,631	-	-	-	-
Boys' soccer	715	8,704	9,419	-	-	-	-
Softball activity	-	12,400	12,400	-	-	-	-
Girls/boys tennis activity	1,352	4,410	2,830	2,932	-	-	2,932
Boys' track	6,229	2,030	3,517	4,742	-	-	4,742
Girls' track	1,431	320	453	1,298	-	-	1,298
Bowling	-	19,235	15,671	3,564	-	-	3,564
Volleyball	23	8,083	8,106	-	-	-	-
Archery	8,062	778	4,937	3,903	-	-	3,903
Academic Team	-	351	286	65	-	-	65
Agape Club	632	-	-	632	-	-	632
Art	3,205	1,456	1,509	3,152	-	-	3,152
Leo Club	88	-	-	88	-	-	88
Beta Club	74	529	-	603	-	-	603

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, 2021**

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2020	Receipts	Disbursements	June 30, 2021	Receivable	Payable	Student Groups
							June 30, 2021
Bookstore	8,511	3,758	2,767	9,502	-	-	9,502
Drama	341	-	-	341	-	-	341
JAG	1,246	-	-	1,246	-	-	1,246
Musical Theater	-	3,010	3,010	-	-	-	-
FBLA	2,310	767	1,242	1,835	-	-	1,835
DECA	628	4,775	5,190	213	-	-	213
FCA	566	-	-	566	-	-	566
Chess Club	5,923	-	-	5,923	-	-	5,923
E sports	1,881	577	1,000	1,458	-	-	1,458
FFA	9,824	24,271	27,702	6,393	-	-	6,393
Equine	2,703	1,090	3,752	41	-	-	41
FCCLA	2,541	425	214	2,752	-	-	2,752
STOP	1,556	-	-	1,556	-	-	1,556
Horticulture	30,718	21,934	20,656	31,996	-	-	31,996
Interact Club	2,452	42	-	2,494	-	-	2,494
Foreign language - French	153	-	-	153	-	-	153
Library	2,110	569	2,134	545	-	-	545
Newspaper	1,647	465	400	1,712	-	-	1,712
Key Club	131	-	131	-	-	-	-
FEA	81	100	65	116	-	-	116
Pep Club	392	-	33	359	-	-	359
Prom	1,294	6,181	7,475	-	-	-	-
Science Club	684	-	684	-	-	-	-
Forensics (Speech)	-	1,060	1,060	-	-	-	-
Student Council	133	7,759	7,077	815	-	-	815
Spanish Club	657	157	209	605	-	-	605
WGCE	1,517	-	-	1,517	-	-	1,517
Science Department	60	40	100	-	-	-	-
Yearbook	13,862	13,900	8,718	19,044	-	-	19,044

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, 2021**

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2021
Young Politicians	151	-	151	-	-	-	-
Agriculture	536	755	452	839	-	-	839
Art	1,014	705	1,456	263	-	-	263
Anatomy & Physiology	1,139	600	57	1,682	-	-	1,682
Business Principles	302	275	-	577	-	-	577
Sports & Event Management	433	80	28	485	-	-	485
Principles of & Fashion Mkt	301	495	428	368	-	-	368
Engineering Design/Prin Eng	2,411	696	505	2,602	-	-	2,602
GC Publishing	241	-	241	-	-	-	-
Band	7,263	5,170	8,679	3,754	-	-	3,754
Choir class fees	347	20	265	102	-	-	102
Choral	-	-	-	-	-	-	-
Piano/Keyboard Class	120	-	70	50	-	-	50
Life Skills Class Fee	1,698	1,723	1,203	2,218	-	-	2,218
Home Economics	2,903	5,082	4,950	3,035	-	-	3,035
Special Life Skills	82	-	82	-	-	-	-
Photography	697	340	929	108	-	-	108
Foreign language fees	1,535	390	-	1,925	-	-	1,925
Orchestra	2,288	90	1,012	1,366	-	-	1,366
Symphony Orchestra	35	1,675	176	1,534	-	-	1,534
Foreign Language Fees-SP	4,832	1,882	4,888	1,826	-	-	1,826
ROTC	5,130	1,709	3,652	3,187	-	-	3,187
Relay for Life	5,210	-	5,210	-	-	-	-
<b>Subtotal</b>	<b>373,007</b>	<b>670,266</b>	<b>639,687</b>	<b>403,586</b>	<b>-</b>	<b>-</b>	<b>403,586</b>
<b>Interfund transfers</b>	<b>-</b>	<b>(127,722)</b>	<b>(127,722)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>\$ 373,007</b>	<b>\$ 542,544</b>	<b>\$ 511,965</b>	<b>\$ 403,586</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 403,586</b>



**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's 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	3100002-20	\$ 1,194,673	
	84.010	3100002-19	133,774	
	84.010	3100002-18	<u>2,057</u>	\$ 1,330,504
Special Education Cluster:				
Special Education Grants to States	84.027	3810002-20	654,484	
	84.027	3810002-19	205,742	
Special Education Preschool Grants	84.173	3800002-20	8,128	
	84.173	3800002-19	<u>2,896</u>	871,250
Title 1, Part D	84.013	3100102-20		28,000
Vocational Education Basic Grants to States	84.048	3710002-20	36,927	
	84.048	3710002-19	<u>14,297</u>	51,224
Title V Rural and Low Income	84.358	3140002-19		76,579
English Language Acquisition Grants	84.365	3300002-20	2,863	
	84.365	3300002-19	<u>15,947</u>	18,810
Improving Teacher Quality State Grants	84.367	3230002-20	110,745	
	84.367	3230002-19	<u>65,370</u>	176,115
Student Support and Academic Enrichment	84.424	3420002-20	98,633	
	84.424	3420002-19	40,422	
	84.424	3420002-18	<u>(6,879)</u>	132,176
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act	84.425	4000002-20	1,022,457	
	84.425	4000003-20	4,231	
	84.425	4200002-21	1,290,429	
	84.425	GEERS-20	<u>175,935</u>	2,493,052
<b>Total U.S. Department of Education</b>				<u>5,177,710</u>
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005-20	15,415	
National School Lunch Program	10.555	7750002-20	28,385	
Summer Food Service Program for Children	10.559	7690024-21	239,072	
	10.559	7690024-20	34,488	
	10.559	7740023-21	2,331,655	
	10.559	7740023-20	<u>335,868</u>	2,984,883
Total Child Nutrition Cluster				<u>2,984,883</u>

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Child and Adult Care Food Program	10.558	7790021-21	27,171
	10.558	7790021-20	4,398
	10.558	7800016-21	1,705
	10.558	7800016-20	<u>296</u>
			33,570
State Administrative Expenses for Child Nutrition	10.560	7700001-20	3,269
Other U.S. Department of Agriculture Programs: Fresh Fruit and Vegetable Program	10.582	Direct	<u>148,661</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,170,383</u>
<b>U.S. Department of the Treasury</b> Passed through State Department of Education COVID-19 Coronavirus Relief Funds	21.019	CARES-20	<u>864,641</u>
<b>Total U.S. Department of the Treasury</b>			<u>864,641</u>
<b>U.S. Department of Health and Human Services</b> Passed through State Department of Education Cooperative Agreements to Promote Adolescent Health through School Based HIV/STD Prevention and School Based Surveillance	93.079	2100001-29	150
<b>Other U.S. Department of Health and Human Service Programs</b> CECC Preschool Development Grant School Readiness	93.434	Direct	55,774
COVID-19 Child Care and Development Block Grant	93.575	Direct	22,400
Passed through Murray Board of Education: Head Start	93.600	Direct	<u>336,888</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>415,212</u>
Total Expenditures of Federal Awards			<u>\$ 9,627,946</u>

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, 2021**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Graves County School District (District) under programs of the federal government for the year ended June 30, 2021. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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 not elected to use the 10-percent de minimis indirect cost rate as allowed under 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

### 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 (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2021.

#### 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) as a basis for designing 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 Graves County School District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. 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 October 29, 2021.

### **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  
Mayfield, Kentucky

October 29, 2021

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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 (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, 2021. Graves County School 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) and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract*. 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, 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, 2021.

### **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 the 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  
Mayfield, Kentucky

October 29, 2021





**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

None

**MANAGEMENT COMMENTS FOR AUDIT**

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CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2021

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 (District) for the year ended June 30, 2021, we considered the District's internal control in order 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.

The memorandum that accompanies this letter summarizes our comments and recommendations. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated October 29, 2021 contains our report on the District's internal control. This letter does not affect our report dated October 29, 2021 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendations with various District personnel, and 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.

This report is intended solely for the information and use of management, the members of the Graves County Board of Education, 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  
Mayfield, Kentucky

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CENTRAL ELEMENTARY**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use of Form F-SA-6 to record funds collected by teachers or sponsors from a group of students in lieu of individual receipts.

**Condition** – Form F-SA-6, Multiple Receipt Form, was not completed properly and timely.

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

**Effect** – The lack of use of Form F-SA-6 weakens internal controls which would otherwise provide support for funds collected and documentation of the amount, date and person collecting the funds.

**Recommendation** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use and proper and timely completion of the Multiple Receipt Form when funds are collected from a group of students to document the receipt of funds from a fundraiser or event. Additionally, it is required that students in sixth grade and above to sign F-SA-6 as they turn in money.

**Views of Responsible Officials** – Multiple Receipts Form F-SA-6 should be completed and submitted daily by the person collecting the funds. The School Principal and Bookkeeper will remind and train staff on proper and timely completion of these forms. Going forward, when the forms are submitted, the form will be double checked and closely monitored for errors.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for fundraisers.

**Condition** – Form F-SA-2B Fundraiser Summary was not completed properly.

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

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

**Recommendation** – Fundraisers where items are sold require the use of the Fundraiser Summary to recap the profitability of a fundraiser sales cycle. This form should be signed by appropriate personnel and filled out completely.

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CENTRAL ELEMENTARY, continued**

**Views of Responsible Officials** – The fundraising sponsor coordinator is responsible for completing Form F-SA-2B timely after the fundraiser concludes. The form is then approved by the School Principal, Bookkeeper and Sponsor/Coordinator. Going forward, when a fundraiser request is submitted and approved, Form F-SA-2B process will be reviewed by the Bookkeeper with the Sponsor Coordinator to ensure this is completed timely and correctly.

**FARMINGTON ELEMENTARY**

- I. **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 the Redbook policy.

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

**Views of Responsible Officials** – Going forward, the school bookkeeper will review all year-end student activity accounts balances, including outstanding checks, and any negative balance will be offset with general student activity funds. The bookkeeper will also review as needed to ensure accounts do not go negative and funds are present prior to expenditure of funds.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires that upon receipt of the monthly school activity fund bank account statement (after principal review), the statement is to be reconciled to the monthly report.

**Condition** – The monthly financial reports were not accurate and did not reconcile to the bank statement.

**Cause** – While closing out one bank account, the remaining balance was transferred into the main bank account. This transfer was treated as receipt instead of a transfer, listing the cash on the monthly report as duplicate. The monthly report did not reconcile to the bank statement and reconciliation.

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

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FARMINGTON ELEMENTARY, continued**

**Recommendation** – Thorough review on the monthly financial reports and bank statements to ensure they are in agreeance.

**Views of Responsible Officials** – The District CFO reviewed the account and correcting entry with the school bookkeeper. June 30, 2021 student activity fund balance for Farmington Elementary was corrected and properly stated. Going forward, if any bank account is closed, it will be coded as a transfer of funds vs. a cash receipt.

**SEDALIA ELEMENTARY**

- I. **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** – Going forward, receipt numbers will be listed on both deposit slip copies and two signatures will be on receipts printed from EPES.

**GRAVES COUNTY HIGH SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use of Form F-SA-6 to record funds collected by teachers or sponsors from a group of students in lieu of individual receipts.

**Condition** – Form F-SA-6, Multiple Receipt Form, was not completed properly and timely.

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

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**GRAVES COUNTY HIGH SCHOOL, continued**

**Effect** – The lack of use of Form F-SA-6 weakens internal controls which would otherwise provide support for funds collected and documentation of the amount, date and person collecting the funds.

**Recommendation** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use and proper and timely completion of the Multiple Receipt Form when funds are collected from a group of students to document the receipt of funds from a fundraiser or event. Additionally, it is required that students in sixth grade and above to sign F-SA-6 as they turn in money.

**Views of Responsible Officials** – Multiple Receipts Form F-SA-6 should be completed and submitted daily by the person collecting the funds. The School Principal and Bookkeeper will remind and train staff on proper and timely completion of these forms. Going forward, when the forms are submitted, the form will be double checked by the Bookkeeper and closely monitored for errors.



**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CENTRAL ELEMENTARY**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for two accounts.

**Views of Responsible Officials** – Academic Team and Volleyball student activity fund accounts were dormant for FY21 due to COVID-19.

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for one account.

**Views of Responsible Officials** – The Bookkeeper will review all student activity accounts (including A/R and A/P) at year-end to ensure any account with a negative balance is covered with the general activity fund.

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021.

**Views of Responsible Officials** – The deposit slip duplicate receipt kept at the school does have both the receipt numbers and third party initials/verification. Going forward, the bank copy of the deposit slip will also have the initials and receipt numbers.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CENTRAL ELEMENTARY, continued**

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

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

**Current Status** – This finding was not repeated for fiscal year June 30, 2021.

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

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

**Current Status** – This finding was repeated for fiscal year June 30, 2021.

**Views of Responsible Officials** – Form F-SA-2A Fundraiser & Crowdfunding Approval form should be submitted to the Building Principal for approval prior to the fundraiser commencing. Going forward, the Principal & Bookkeeper will remind employees of this process and also monitor the forms submitted and ensure approvals are granted prior to any fundraisers commencing.

**VI. 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.

**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 that completes the Form SA-17.

**Current Status** – This finding was not repeated for fiscal year June 30, 2021.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FANCY FARM ELEMENTARY**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for seven accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

**FARMINGTON ELEMENTARY**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for nine accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**LOWES ELEMENTARY**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for six accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

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

**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.

**Current Status** – This finding was not repeated for fiscal year June 30, 2021.

**SEDALIA ELEMENTARY**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for twelve accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**SEDALIA ELEMENTARY, continued**

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

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

**Current Status** – This finding was not repeated for fiscal year June 30, 2021.

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

**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.

**Current Status** – This finding was not repeated for fiscal year June 30, 2021.

**SYMSONIA ELEMENTARY**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for eight accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**GRAVES COUNTY MIDDLE SCHOOL**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for three accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

**GRAVES COUNTY HIGH SCHOOL**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021 for ten accounts.

**Views of Responsible Officials** – Some student activity accounts were dormant in FY21 due to COVID-19.

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

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

**Current Status** – This finding was repeated for fiscal year June 30, 2021.

**Views of Responsible Officials** – Going forward, the staff who initiated the order will be responsible for sending the invoice associated with purchase orders to the bookkeeper or the bill won't be paid until this is done. The building principal and bookkeeper will also remind staff of this process to ensure Redbook compliance and safeguarding funds.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**GRAVES COUNTY HIGH SCHOOL, continued**

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

**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.

**Current Status** – This finding was repeated for fiscal year June 30, 2021.

**Views of Responsible Officials** – The Athletic Director will monitor and enforce the completion of F-SA-5 Inventory Control Worksheets. Sponsors will condense inventory to fit it on the sheet properly for reconciliation purposes.