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November 5, 2020

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Marion County School District  
Lebanon, 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 Marion County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District as of June 30, 2020, 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, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 11, 57 through 60, and 63 through 65 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 Marion County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the 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* 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, the other supplemental financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2020, on our consideration of Marion 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 Marion County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion County School District's internal control over financial reporting and compliance.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	11,691,182	878,854	12,570,036
Accounts Receivable:			
Taxes - Current	223,348		223,348
Taxes - Delinquent	25,654		25,654
Accounts	43,044		43,044
Intergovernmental - State	149,896		149,896
Intergovernmental - Federal	391,539		391,539
Inventories for Consumption		56,183	56,183
Total Current Assets	12,524,663	935,037	13,459,700
Noncurrent Assets - Note F			
Land	814,396		814,396
Buildings & Improvements	50,301,570		50,301,570
Furniture & Equipment	8,402,527	822,486	9,225,013
Construction in Progress	436,605		436,605
Less: Accumulated Depreciation	(33,403,174)	(732,406)	(34,135,580)
Total Noncurrent Assets	26,551,924	90,080	26,642,004
TOTAL ASSETS	39,076,587	1,025,117	40,101,704
Deferred Outflows Related to Pensions	1,743,208	423,102	2,166,310
Deferred Outflows Related to Other Post Employment Benefits	1,329,653	197,062	1,526,715
Deferred Outflows from Advanced Bond Refundings	258,149		258,149
TOTAL DEFERRED OUTFLOWS	3,331,010	620,164	3,951,174
TOTAL ASSETS AND DEFERRED OUTFLOWS	42,407,597	1,645,281	44,052,878
LIABILITIES:			
Current Liabilities:			
Accounts Payable	242,907	10,889	253,796
Accrued Sick Leave - Note A	140,666		140,666
Advances from Grantors	468,958		468,958
Bond Obligations - Note E	1,355,000		1,355,000
Capital Lease Obligations	35,493		35,493
KSBIT Assessment - Note R	37,140		37,140
Accrued Interest Payable	101,843		101,843
Total Current Liabilities	2,382,007	10,889	2,392,896
Noncurrent Liabilities:			
Bond Obligations - Note E	15,869,105		15,869,105
Net Pension Liability	7,765,263	1,981,341	9,746,604
Net Other Post Employment Benefits Liability	9,309,069	296,229	9,605,298
Accrued Sick Leave - Note A	534,358		534,358
Total Noncurrent Liabilities	33,477,795	2,277,570	35,755,365
TOTAL LIABILITIES	35,859,802	2,288,459	38,148,261
Deferred Inflows Related to Other Post Employment Benefits	1,922,051	236,626	2,158,677
Deferred Inflows Related to Pensions	825,866	217,715	1,043,581
TOTAL DEFERRED INFLOWS	2,747,917	454,341	3,202,258
TOTAL LIABILITIES AND DEFERRED INFLOWS	38,607,719	2,742,800	41,350,519
NET POSITION:			
Net Investment in Capital Assets	9,292,326	90,080	9,382,406
Restricted for:			
Capital Projects	2,520,738		2,520,738
School Activities	185,836		185,836
SFCC Escrow	3,272,354		3,272,354
Debt Service	1,513		1,513
Food Service		(1,187,599)	(1,187,599)
Unrestricted	(11,472,889)		(11,472,889)
TOTAL NET POSITION	3,799,878	(1,097,519)	2,702,359
TOTAL LIABILITIES AND NET POSITION	42,407,597	1,645,281	44,052,878

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	23,247,423		3,147,518		(20,099,905)		(20,099,905)
Support Services:							
Student Support Services	1,439,136		116,313		(1,322,823)		(1,322,823)
Staff Support Services	1,765,281		191,184		(1,574,097)		(1,574,097)
District Administration	1,341,809				(1,341,809)		(1,341,809)
School Administration	1,945,429				(1,945,429)		(1,945,429)
Business Support Services	1,013,540	1,919			(1,011,621)		(1,011,621)
Plant Operation & Maintenance	2,340,455				(2,340,455)		(2,340,455)
Student Transportation	2,040,404				(2,040,404)		(2,040,404)
Food Service Operation	3,735		3,927		192		192
Community Service Operations	311,116		305,242		(5,874)		(5,874)
Adult Education Operations	48,405		50,887		2,482		2,482
Facilities Acquisition and Construction	36,562				(36,562)		(36,562)
Interest on Long-Term Debt	524,074			58,406	(465,668)		(465,668)
TOTAL GOVERNMENTAL ACTIVITIES	36,057,369	1,919	3,815,071	58,406	(32,181,973)		(32,181,973)
BUSINESS-TYPE ACTIVITIES:							
Food Service	3,117,744	166,690	3,282,616			331,562	331,562
TOTAL BUSINESS-TYPE ACTIVITIES	3,117,744	166,690	3,282,616	0	0	331,562	331,562
TOTAL SCHOOL DISTRICT	39,175,113	168,609	7,097,687	58,406	(32,181,973)	331,562	(31,850,411)
GENERAL REVENUES:							
Taxes:							
Property					7,975,029		7,975,029
Motor Vehicle					693,785		693,785
Utility					1,765,919		1,765,919
Other					178,309		178,309
State Aid - Formula Grants					21,705,517		21,705,517
Investment Earnings					224,117	8,073	232,190
Miscellaneous					506,496	485	506,981
Gain(Loss) Sale of Assets					2,171	(50)	2,121
TOTAL GENERAL REVENUES					33,051,343	8,508	33,059,851
CHANGE IN NET POSITION					869,370	340,070	1,209,440
NET POSITION					2,930,508	(1,437,589)	1,492,919
NET POSITION - ENDING					3,799,878	(1,097,519)	2,702,359

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	5,538,434		3,717,396	1,318,561	1,116,791	11,691,182
Accounts Receivable:						
Taxes - Current	223,348					223,348
Taxes - Delinquent	25,654					25,654
Accounts	43,044					43,044
Interfund Receivable	42,238					42,238
Intergovernmental - State		149,896				149,896
Intergovernmental - Federal		391,539				391,539
TOTAL ASSETS	<u>5,872,718</u>	<u>541,435</u>	<u>3,717,396</u>	<u>1,318,561</u>	<u>1,116,791</u>	<u>12,566,901</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	40,361	30,239		171,973	334	242,907
Interfund Payable		42,238				42,238
Advances from Grantors		468,958				468,958
Total Liabilities	<u>40,361</u>	<u>541,435</u>	<u>0</u>	<u>171,973</u>	<u>334</u>	<u>754,103</u>
Fund Balance:						
Restricted for:						
Capital Projects			1,087,354	1,146,588	286,796	2,520,738
Debt Service					1,513	1,513
School Activities					185,836	185,836
SFCC Escrow			2,630,042		642,312	3,272,354
Committed for:						
Sick Leave	140,666					140,666
Unassigned Fund Balance	5,691,691					5,691,691
Total Fund Balance	<u>5,832,357</u>	<u>0</u>	<u>3,717,396</u>	<u>1,146,588</u>	<u>1,116,457</u>	<u>11,812,798</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>5,872,718</u>	<u>541,435</u>	<u>3,717,396</u>	<u>1,318,561</u>	<u>1,116,791</u>	<u>12,566,901</u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

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

TOTAL GOVERNMENTAL FUND BALANCE		11,812,798
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	59,955,098	
Accumulated Depreciation	<u>(33,403,174)</u>	26,551,924
Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.		258,149
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		1,743,208
Deferred Outflows Related to Other Post Employment Benefits are not a current and therefore are not reported as assets in governmental funds.		1,329,653
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
KSBIT Assessment	(37,140)	
Bonds Payable	(17,230,000)	
Unamortized Bond Premiums	(8,528)	
Unamortized Bond Discounts	14,423	
Capital Lease Obligation	(35,493)	
Net Pension Liability	(7,765,263)	
Net Other Post Employment Benefits Liability	(9,309,069)	
Accrued Interest on Bonds	(101,843)	
Accrued Sick Leave	<u>(675,024)</u>	(35,147,937)
Deferred Inflows Related to Other Post Employment Benefits are not a current liabilities and therefore are not reported as liabilities in governmental funds.		(1,922,051)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(825,866)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>3,799,878</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	6,479,343		1,495,686			7,975,029
Motor Vehicle	693,785					693,785
Utility	1,765,919					1,765,919
Other	178,309					178,309
Earnings on Investments	205,628	1,216		17,273		224,117
Intergovernmental - State	20,447,263	1,346,464	560,119		756,541	23,110,387
Intergovernmental - Federal	140,829	2,327,778				2,468,607
Other Sources	116,406	93,908			298,101	508,415
TOTAL REVENUES	30,027,482	3,769,366	2,055,805	17,273	1,054,642	36,924,568
EXPENDITURES:						
Instructional	19,161,087	2,993,830			195,003	22,349,920
Support Services:						
Student Support Services	1,294,742	110,639			863	1,406,244
Staff Support Services	1,565,480	181,857				1,747,337
District Administration	1,217,969					1,217,969
School Administration	1,893,485					1,893,485
Business Support Services	950,538					950,538
Plant Operation & Maintenance	2,316,097				1,625	2,317,722
Student Transportation	2,062,708					2,062,708
Food Service Operation		3,735				3,735
Community Service Operations	20,655	290,351				311,006
Adult Education Operations		48,405				48,405
Facilities Acquisition & Construction				467,231		467,231
Debt Service:						
Principal	33,229				1,345,000	1,378,229
Interest	3,548				440,127	443,675
TOTAL EXPENDITURES	30,519,538	3,628,817	0	467,231	1,982,618	36,598,204
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(492,056)	140,549	2,055,805	(449,958)	(927,976)	326,364
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Bonds				1,555,000		1,555,000
Premium on Issuance of Bonds				8,710		8,710
Discount on Issuance of Bonds				(14,730)		(14,730)
Proceeds from Sale of Assets	4,550					4,550
Operating Transfers In - Note N		60,228			1,313,247	1,373,475
Operating Transfers Out - Note N	(204,247)	(200,777)	(968,451)			(1,373,475)
TOTAL OTHER FINANCING SOURCES	(199,697)	(140,549)	(968,451)	1,548,980	1,313,247	1,553,530
NET CHANGE IN FUND BALANCE	(691,753)	0	1,087,354	1,099,022	385,271	1,879,894
FUND BALANCES - BEGINNING	6,524,110	0	2,630,042	47,566	731,186	9,932,904
FUND BALANCES - ENDING	5,832,357	0	3,717,396	1,146,588	1,116,457	11,812,798

See independent auditor's report and accompanying notes to financial statements.



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

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

NET CHANGES - GOVERNMENTAL FUNDS		1,879,894
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(1,930,852)	
Capital Outlays	<u>813,670</u>	(1,117,182)
Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond Principal Paid	1,345,000	
Capital Lease Principal Paid	33,229	
Bond Proceeds - Net	<u>(1,548,980)</u>	(170,751)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Amortization-Deferred Outflows on Advanced Bond Refundings	(69,970)	
Amortization-Bond Premiums	181	
Amortization-Bond Discounts	(307)	
District Pension Contributions	543,231	
Cost of Benefits Earned Net of Employee Contributions - Pension	(1,200,919)	
District Other Post Employment Benefits Contributions	650,974	
Cost of Benefits Earned Net of Employee Contributions - OPEB	126,455	
Accrued Interest Payable	(10,303)	
KISBIT Assessment	37,143	
Accrued Sick Leave	<u>203,303</u>	279,788
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Loss- Sale of Assets		<u>(2,379)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>869,370</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	ENTERPRISE FUND
	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	878,854
Inventories for Consumption	56,183
Total Current Assets	<u>935,037</u>
Noncurrent Assets:	
Furniture & Equipment	822,486
Less: Accumulated Depreciation	<u>(732,406)</u>
Total Noncurrent Assets	<u>90,080</u>
TOTAL ASSETS	<u><u>1,025,117</u></u>
Deferred Outflows Related to Other Post Employment Benefits	197,062
Deferred Outflows Related to Pensions	423,102
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>1,645,281</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	10,889
Total Current Liabilities	<u>10,889</u>
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	296,229
Net Pension Liability	<u>1,981,341</u>
Total Noncurrent Liabilities	<u>2,277,570</u>
TOTAL LIABILITIES	<u><u>2,288,459</u></u>
Deferred Inflows Related to Other Post Employment Benefits	236,626
Deferred Inflows Related to Pensions	<u>217,715</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>2,742,800</u></u>
Net Position:	
Net Investment in Capital Assets	90,080
Restricted	<u>(1,187,599)</u>
Total Net Position	<u><u>(1,097,519)</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>1,645,281</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	ENTERPRISE FUND
	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	166,690
Other Operating Revenues	485
TOTAL OPERATING REVENUES	<u>167,175</u>
OPERATING EXPENSES:	
Salaries & Benefits	1,375,555
Contract Services	75,050
Materials & Supplies	1,640,279
Depreciation - Note F	17,626
Other Operating Expenses	9,234
TOTAL OPERATING EXPENSES	<u>3,117,744</u>
OPERATING INCOME(LOSS)	(2,950,569)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	2,949,933
State Grants	185,286
Donated Commodities	147,397
Loss on Sale of Assets	(50)
Interest Income	8,073
TOTAL NONOPERATING REVENUE	<u>3,290,639</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	340,070
CAPITAL CONTRIBUTIONS	<u>0</u>
CHANGE IN NET POSITION	340,070
TOTAL NET POSITION - BEGINNING	<u>(1,437,589)</u>
TOTAL NET POSITION - ENDING	<u><u>(1,097,519)</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUND
ASSETS:		
Cash and Cash Equivalents		
Investments - Note D	145,699	189,928
TOTAL ASSETS	<u>145,699</u>	<u>189,928</u>
LIABILITIES:		
Accounts Payable	6,000	-
Due to Student Groups	-	189,928
TOTAL LIABILITIES	<u>6,000</u>	<u>189,928</u>
NET POSITION HELD IN TRUST	<u>139,699</u>	<u>0</u>
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	<u><u>145,699</u></u>	<u><u>189,928</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Net Interest and Investment Gains(Losses)	3,512
DEDUCTIONS:	
Broker Fees	2,034
Benefits Paid	<u>6,000</u>
Changes in Net Position	(4,522)
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>144,221</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>139,699</u></u>

See independent auditor's report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
Governmental Activities:					
Revenue Bond Payable	17,020,000	1,555,000	(1,345,000)	17,230,000	1,355,000
Add: Bond Premium	0	8,710	(181)	8,529	0
Less: Bond Discount	<u>0</u>	<u>(14,730)</u>	<u>306</u>	<u>(14,424)</u>	<u>0</u>
Net Revenue Bond Payable	17,020,000	1,548,980	(1,344,875)	17,224,105	1,355,000
KSBIT Assessment	74,283	0	(37,143)	37,140	37,140
Capital Leases	68,722	0	(33,229)	35,493	35,493
Net Pension Liability	7,542,780	222,483	0	7,765,263	0
Net OPEB Liability	11,018,351	0	(1,709,282)	9,309,069	0
Accrued Sick Leave	<u>878,327</u>	<u>0</u>	<u>(203,303)</u>	<u>675,024</u>	<u>140,666</u>
Total Governmental Activities:	<u>36,602,463</u>	<u>1,771,463</u>	<u>(3,327,832)</u>	<u>35,046,094</u>	<u>1,568,299</u>
Proprietary Activities:					
Net OPEB Liability	387,514	0	(91,285)	296,229	0
Net Pension Liability	<u>1,921,127</u>	<u>60,214</u>	<u>0</u>	<u>1,981,341</u>	<u>0</u>
Total Long-Term Liabilities:	<u>38,911,104</u>	<u>1,831,677</u>	<u>(3,419,117)</u>	<u>37,323,664</u>	<u>1,568,299</u>

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	814,396			814,396
Construction	5,936	430,669		436,605
Depreciable Assets:				
Buildings & Building Improvements	50,301,570			50,301,570
Technology Equipment	3,386,867	64,846	146,933	3,304,780
Vehicles	3,814,595	318,155		4,132,750
General Equipment	974,992		9,995	964,997
TOTAL AT HISTORICAL COST	59,298,356	813,670	156,928	59,955,098
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	25,474,050	1,436,445		26,910,495
Technology Equipment	2,993,052	181,924	144,554	3,030,422
Vehicles	2,472,021	264,032		2,736,053
General Equipment	687,748	48,451	9,995	726,204
TOTAL ACCUMULATED DEPRECIATION	31,626,871	1,930,852	154,549	33,403,174
GOVERNMENTAL ACTIVITIES CAPITAL NET	27,671,485	(1,117,182)	(2,379)	26,551,924
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	18,563		3,560	15,003
General Equipment	807,483			807,483
TOTALS AT HISTORICAL COST	826,046	-	3,560	822,486
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	16,749	1,471	3,510	14,710
General Equipment	701,541	16,155		717,696
TOTAL ACCUMULATED DEPRECIATION	718,290	17,626	3,510	732,406
PROPRIETARY ACTIVITIES CAPITAL NET	107,756	(17,626)	50	90,080
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				1,442,596
Student Support Services				3,443
Staff Support Services				14,549
District Administration				118,844
School Administration				10,270
Business Support Services				80,024
Student Transportation				261,016
Community Service Operations				110
TOTAL				1,930,852

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Education				
Passed-Through Kentucky Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310D	3,197
Title I - Grants to Local Educational Agencies	84.010	3100002	310DM	115
Title I - Parent Involvement	84.010	3100002	310E	329,487
Title I - Grants to Local Educational Agencies	84.010	3100002	310EM	7,710
Title I - Parent Involvement	84.010	3100002	310F	536,232
Title I - Grants to Local Educational Agencies	84.010	3100002	310FM	2,746
Title I - Educational Recovery Special (MOA)	84.010	3100002	320EE	4,133
Title I Total				<u>883,620 *</u>
Migrant Education - State Grant Program	84.011	3110002	311E	20,871
Migrant Education - State Grant Program	84.011	3110002	311F	<u>82,302</u>
Migrant Education Total				103,173
IDEA - Special Education - Grants to State	84.027	3810002	337D	5,263
IDEA - Special Education - Grants to State	84.027	3810002	337DP	9,169
IDEA - Special Education - Grants to State	84.027	3810002	337E	486,317
IDEA - Special Education - Grants to State	84.027	3810002	337EP	17,547
IDEA - Special Education - Grants to State	84.027	3810002	337F	303,973
IDEA - Special Education - Grants to State	84.027	3810002	337FP	3,941
IDEA - Special Education - Preschool Grants	84.173	3800002	343E	16
IDEA - Special Education - Preschool Grants	84.173	3800002	343F	52,192
IDEA - Special Education - Preschool Grants	84.173	3800002	343FP	<u>92</u>
Special Education Cluster Total				878,510 *
Perkins Vocational Education	84.048	3710002	348EA	507
Perkins Vocational Education	84.048	3710002	348F	<u>12,805</u>
Perkins Vocational Education Total				13,312
Community Based Work Transition	84.341	371C	371C	3,623
Community Based Work Transition	84.341	371D	371D	27,393
Community Based Work Transition	84.341	371E	371E	<u>93,865</u>
Community Based Work Transition Total				124,881
Adult Education	84.002	1700001246	373F	50,518
Adult Education Career Services	84.002	464F	464F	<u>1,735</u>
Adult Education Total				52,253
Title II - Part A - Teacher Quality Enhancement Grants	84.367	3230002	401E	58,154
Title II - Part A - Teacher Quality Enhancement Grants	84.367	3230002	401F	<u>89</u>
Teacher Quality Enhancement Grants Total				58,243
Title III - Limited English Proficiency, Immigrant	84.365	3300002	345EI	5,775
Title III - Limited English Proficiency Part A	84.365	3300002	345F	<u>5,435</u>
Title III Total				11,210



Title IV, Part A - Student Support and Academic Enrichment	84,424	3420002	552E	43,999
Title IV, Part A - Student Support and Academic Enrichment	84,424	3420002	552FP	2,043
Title IV, Student Support and Academic Enrichment	84,424	3420002	552FS	9,179
Title IV, Student Support and Academic Enrichment	84,424	3420002	552FW	9,800
Title IV Total				<u>65,021</u>
Rural and Low Income Schools	84,358	3140002	350D	9,528
Rural and Low Income Schools	84,358	3140002	350E	30,428
Rural and Low Income Schools Total				<u>39,956</u>
Education and Innovation Research (EIR): Early Phase Grants	84,411C	449F	449F	7,918
Gaining Early Awareness and Readiness for Undergraduate Programs	342002	614E	614E	2,923
Gaining Early Awareness and Readiness for Undergraduate Programs	342002	614F	614F	4,542
Gaining Early Awareness and Readiness for Undergraduate Programs Total				<u>7,465</u>
COVID-19 - Governor's Emergency Education Relief Fund	84,425C	CARE-20	633F	49,200
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84,425D	4000002-20	613F	18,015
COVID-19 Education Stabilization Fund Total				<u>67,215</u>
Total U.S. Department of Education				<u>2,312,777</u>
<u>U.S. Department of Health and Human Services</u>				
Preschool Development Grant Birth through Five	93,434	644F	644F	15,000
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
Summer Meal Program	10,559	7690024-19	7690024-19	4,226
Summer Meal Program	10,559	7690024-20	7690024-20	110,693
Summer Meal Program	10,559	7740023-19	7740023-19	40,049
Summer Meal Program	10,559	7740023-20	7740023-20	1,078,508
National School Lunchroom	10,555	7750002-19	7750002-19	306,149
National School Lunchroom	10,555	7750002-20	7750002-20	765,798
School Breakfast Program	10,553	7760005-19	7760005-19	136,763
School Breakfast Program	10,553	7760005-20	7760005-20	354,809
Child Nutrition Cluster				<u>2,796,995</u>
Child & Adult Care Food Program	10,558	7790021-19	7790021-19	17,551
Child & Adult Care Food Program	10,558	7790021-20	7790021-20	154,613
Child & Adult Care Food Program	10,558	7800016-19	7800016-19	1,222
Child & Adult Care Food Program	10,558	7800016-20	7800016-20	5,347
Child & Adult Care Food Program Total				<u>178,733</u>
State Administration for Child Expenses	10,560	7700001-19	7700001-19	3,068
Passed Through State Department of Agriculture				
Food Distribution	10,565	057502-10	05702-10	147,397
Total U.S. Department of Agriculture				<u>3,126,193</u>
Total Federal Financial Assistance				<u>5,453,970</u>

\* Tested as major program

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of audit issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs?

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

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.027/84.173  
84.010

Special Education Cluster  
Title I

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement of Findings**

No matters were reported.

### Section III – Federal Award Findings and Questioned Costs

#### 2020-01: Finding

U.S. Department of Education  
84.027/84.173 Special Education Cluster  
Kentucky Department of Education

##### Criteria:

*Except as provided in 34 CFR sections 300.204 and 300.205, funds provided to an LEA under IDEA, Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.*

##### Condition:

The District did not maintain its expenditure levels from FY 2018 to FY 2019 to ensure it maintained fiscal effort.

##### Cause:

The District did not maintain its expenditure level from FY 2018 to FY 2019. The District utilized a larger portion of Special Education Cluster funding and less state and local funding. The District failed to review its expected Maintenance of Effort calculations internally prior to the end of FY 2019 to ensure Maintenance of Effort would be met in at least one of the four methods allowed.

##### Context:

The IDEA Special Education Cluster was selected as a major program for compliance testing for the FY 2020 financial audit. As a part of that testing, the most recent Maintenance of Effort report was obtained. The report is generated for each school district annually by the Kentucky Department of Education after the completion of the prior fiscal year. The District is allowed to review the report and offer exceptions in accordance with 34 CFR sections 300.204 and 300.205. The District did find exceptions to the original Maintenance of Effort received. However, the District was unable to produce enough exceptions to meet its Maintenance of Effort in any of the four methods allowed.

##### Effect:

The District will be required to repay the Kentucky Department of Education (KDE) \$78,308 according to a payment plan that will be agreed upon by KDE and the District.

Questioned Costs: \$0

##### Recommendation:

The Finance Officer and Special Education Coordinator should review special education general fund and federal budgets and expenditures periodically during the fiscal year to ensure maintenance of effort will be met. If it will not, the District should adjust its spending plan accordingly.

##### Management Response:

The Finance Officer and Special Education Coordinator will review the special education general fund and federal budgets and expenditures periodically during the fiscal year to ensure maintenance of effort will be met so that the District is able to avoid paying back federal monies received.

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November 5, 2020

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

Members of the Board of Education  
Marion County School District  
Brandenburg, 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements, and have issued our report thereon dated November 5, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Marion County School 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 Marion County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marion 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 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 Marion County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-01. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Marion County School District in a separate letter dated November 5, 2020.

### **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.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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November 5, 2020

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

Members of the Board of Education  
Marion County School District  
Brandenburg, Kentucky

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Marion County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. 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 Marion County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

### **Report on Internal Control Over Compliance**

Management of Marion County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marion County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Marion County School District's internal control over compliance.

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, as discussed below, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

*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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-01 to be a significant deficiency.

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 for any other purpose.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

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November 5, 2020

**MANAGEMENT LETTER**

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

In planning and performing our audit of the financial statements of Marion County School District for the year ended June 30, 2020, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

**Prior Year Recommendations – School Activity Funds:**

**2018-1 Prior Year Recommendation**

During prior year testing, one instance was found at Glasscock Elementary School of purchase orders approved after the charge was incurred. We recommend that all disbursements be supported by a purchase order that has been properly approved prior to the date the charge is incurred in accordance with Redbook policies and procedures.

In 2019, two instances were noted at Glasscock Elementary School of a charge occurring prior to the issuance of a purchase order.

**Current Year Status and Recommendation:**

During current year testing, two instances were noted at Glasscock Elementary School of a charge occurring prior to the issuance of a purchase order. Again, we recommend that a purchase order be issued prior to a charge occurring. If the exact cost of the items being purchased is not known at the time of request, the requestor should estimate the costs so that the disbursement can be approved prior to the items being ordered.

**2019-2 – Prior Year Recommendation**

During prior year testing, two instances were noted at Marion County Middle School, two instances were noted at Marion County High School, one instance at Lebanon Elementary School, and one instance at Marion County Knight Academy of charges occurring prior to the issuance of a purchase order. Again, we recommend that a purchase order be issued prior to a charge occurring.



#### Current Year Status and Recommendation:

During current year testing, one instance was noted at Marion County High School of charges occurring prior to the issuance of a purchase order. If the exact cost of the items is not known at the time of request, the requestor should estimate the costs so that the disbursement can be approved prior to the items being ordered.

#### Management Response

We will take measures to ensure that purchase orders are completed and approved prior to charges being incurred.

#### **Prior Year District Recommendations:**

##### 2017-4 Prior Year Recommendation:

During testing, 2 instances were found where purchase orders were not properly completed and approved prior to funds being obligated. More specifically, for one of the instances, the purchase order was completed after the invoice date. For the second instance, the purchase order did not contain all of the proper signatures. We recommend that all purchase orders be properly completed and approved prior to funds being obligated.

#### Current Year Status and Recommendation:

During current year testing, four instances were noted of a purchase order not being properly completed and approved prior to funds being obligated for all or a portion of the disbursement. We recommend that all disbursements be supported by a purchase order that has been properly dated and approved prior to the date the charge is incurred in accordance with District policies and procedures.

#### Management Response:

We will take measures to ensure that purchase orders are completed, dated, and approved prior to charges being incurred.

##### 2019-1 Prior Year Recommendation:

During the current payroll testing, an administrative assistant's pay was misallocated between departments. The employee's pay was divided equally among three departments but the corresponding work for the departments was not necessarily equal to one-third of the employee's time. It is noted that the misallocated portion of pay was not material. However, it warrants management's attention so that it can be corrected and prevented in future years. We recommend that the pay allocation reflect time actually worked by department.

#### Current Year Status:

No such instances were found during current year testing.

#### **Current Year Recommendations – School Activity Funds:**

##### 2020-01 Current Year Recommendation:

During current year testing, one instance at Marion County Knight Academy and four instances at Marion County High School were noted of multiple receipt forms not being properly completed in accordance with Redbook guidelines. Students should be signing the multiple receipt forms. Further, sponsors and the bookkeeper should ensure the form is properly complete with all required signatures and monies collected properly reconciled to the form.

### Management Response

We will take measures to ensure that multiple receipt forms are properly completed, signed, and reconciled to the monies received.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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November 5, 2020

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marion County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Marion County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 5, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Marion County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Marion County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 57 and 58, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 59-60 and 63-65, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 61-62 and 66-67, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants