

Mason County School District
Audited Financial Statements
and Other Financial Information
June 30, 2013

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JUNE 30, 2013**

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SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee of School District Audits
Members of the Board of Education
Mason County School District
Maysville, KY 41056

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 the Mason County School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the 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 Mason County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 8 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 Mason County School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund 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 non-major 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of Mason 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 11, 2013

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Mason 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, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$4,131,792.
- Mason County Schools lost approximately \$750,000 in fiscal year 2013, due to assuming salaries from the loss of the last ARRA fund. In fiscal year 2013, Mason County Schools didn't gain through SEEK and other state or federal funds; therefore, we continue to watch expenditures closely:
 1. All overtime has continued to be cut with approval for any allowed.
 2. 1% raises were given with a step increase.
 3. Edujobs funds ended as of September 2013, causing 4 certified salaries to move to the General Fund.
 4. New policies were put in place to help reduce spending due to more signatures when approving purchases.
 5. We have a 3 year band lease for new instruments, and we have 2 technology lease agreements.
 6. Purchased 3 buses through KISTA.
 7. Board agreed to take the compensating tax rate to receive the same amount of funds.
 8. We hired a School Resource Officer midyear.
 9. Eliminated one Central Office Certified position.
 10. Eliminated partial salaries of two classified positions by allocating their pay from other sources.
 11. Procurement has helped in reducing costs due to getting at least 2 quotes before any purchase.
 12. KTRS increased \$138,083 for certified employees.
 13. Property and Student insurance increased from the prior year.
 14. We had several one-time expenditures for auditors.
- The General Fund had \$21,243,897, excluding interfund transfers, in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$22,127,661 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. We paid a significant amount out of General Fund for projects that were completed throughout the year. Funds were then requested from Capital Outlay to cover those expenses.

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) district-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.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 43 of this report.

DISTRICT-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 exceeded liabilities by \$13,819,118 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the periods ending June 30, 2013 and 2012

The following table presents a summary of net position for the fiscal years ended June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Current assets	\$3,974,960	\$4,636,016
Noncurrent assets	<u>23,744,230</u>	<u>24,778,637</u>
Total assets	\$27,719,190	\$29,414,653
Current liabilities	\$1,633,603	\$1,847,765
Noncurrent liabilities	<u>12,266,469</u>	<u>12,736,470</u>
Total liabilities	\$13,900,072	\$14,584,235
Net position		
Investment in capital assets (net of debt)	\$10,653,403	\$11,043,306
Restricted	961,678	258,437
Unrestricted	<u>2,204,037</u>	<u>3,528,675</u>
Total net position	<u>\$13,819,118</u>	<u>\$14,830,418</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$21,243,897.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,376,360 more than budget or approximately 19%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$22,127,661, net of interfund transfers and debt service.
- General Fund actual expenditures exceeded budgeted expenditures by \$1,985,424. This is primarily a result of the District recording "on behalf" payments made by the State.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2013 and 2012.

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Local revenue sources	\$7,832,364	\$6,978,211	\$352,165	\$537,848	\$8,184,529	\$7,516,059
State revenue sources	16,031,670	15,234,292	149,558	106,942	16,181,228	15,341,234
Federal revenue sources	2,059,566	2,316,506	1,272,970	1,037,944	3,332,536	3,354,450
Investments	2,668	2,588	67	130	2,735	2,718
Total revenue	25,926,268	24,531,597	1,774,760	1,682,864	27,701,028	26,214,461
Expenses:						
Instruction	\$16,993,844	\$17,394,472	\$0	\$0	\$17,208,358	\$17,394,472
Student support services	837,955	785,082	0	0	837,955	785,082
Instructional support	822,737	619,850	0	0	822,737	619,850
District administration	1,208,294	766,319	0	0	1,208,294	766,319
School administration	1,130,807	1,070,063	0	0	1,130,807	1,070,063
Business support	533,266	554,162	0	0	553,266	554,162
Plant operations	2,045,419	2,016,819	0	0	2,045,419	2,016,819
Student transportation	2,130,632	1,189,450	0	0	2,130,632	1,189,450
Community Service	213,005	219,951	0	0	213,005	219,951
Other instructional	97,966	173,576	0	0	97,966	8,740
Facilities acquisition	37,609	19,312	0	0	37,609	19,312
Interest on long-term debt	279,842	525,069	0	0	65,328	525,069
Food Service	0	0	1,855,851	1,716,589	1,855,851	1,716,589
Total expenses	\$26,331,376	\$25,334,125	1,855,851	1,716,589	28,187,227	26,885,878
KSBIT Assessment	(261,665)	0	0	0	(261,665)	0
Change in net position	(666,773)	(802,528)	(81,091)	(33,725)	(747,864)	(836,253)
Beginning net position	14,484,451	15,286,979	345,967	379,692	14,830,418	15,666,671
Prior Period Adjustment	(263,436)	0	0	0	(263,436)	0
Beginning net position	14,221,015	15,286,979	345,967	379,692	14,566,982	15,666,671
Ending net position	\$13,554,242	\$14,484,451	\$264,876	\$345,967	\$13,819,118	\$14,830,418

General Fund Revenue

The majority of revenue was derived from State SEEK Funds (46%) with local funding making up 23% of total revenue.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a general fund budget with \$1,322,503 in contingency (7%).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Rick Ross, Superintendent or Mr. Kermit Belcher, Assistant Superintendent at (606) 564-5563 or by mail at P.O. Box 130, Maysville, Kentucky 41056.

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 3,493,479	\$ 12,202	\$ 3,505,681
Accounts receivable			
Taxes	103,089	0	103,089
Accounts	82,866	0	82,866
Intergovernmental - Federal	115,593	121,910	237,503
Inventory	0	45,821	45,821
Total Current Assets	<u>3,795,027</u>	<u>179,933</u>	<u>3,974,960</u>
Noncurrent Assets			
Bond discounts and issue costs net of accumulated amortization of \$78,006	123,989	0	123,989
Non-depreciated capital assets	1,276,725	0	1,276,725
Net depreciated capital assets	<u>22,257,733</u>	<u>85,783</u>	<u>22,343,516</u>
Total Noncurrent Assets	<u>23,658,447</u>	<u>85,783</u>	<u>23,744,230</u>
TOTAL ASSETS	<u><u>27,453,474</u></u>	<u><u>265,716</u></u>	<u><u>27,719,190</u></u>
LIABILITIES:			
Current Liabilities			
Accounts payable	107,907	840	108,747
Current portion of bond obligations	980,000	0	980,000
Current portion of lease obligations	302,433	0	302,433
Current portion of accrued sick leave	106,799	0	106,799
Accrued interest payable	77,499	0	77,499
Unearned revenue	58,125	0	58,125
Total Current Liabilities	<u>1,632,763</u>	<u>840</u>	<u>1,633,603</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	10,980,000	0	10,980,000
Noncurrent portion of lease obligations	704,405	0	704,405
KSBIT Payable	261,665	0	261,665
Noncurrent portion of accrued sick leave	320,399	0	320,399
Total Noncurrent Liabilities	<u>12,266,469</u>	<u>0</u>	<u>12,266,469</u>
TOTAL LIABILITIES	<u><u>13,899,232</u></u>	<u><u>840</u></u>	<u><u>13,900,072</u></u>
NET POSITION:			
Invested in capital assets, net of related debt	10,567,620	85,783	10,653,403
Restricted			
Capital projects (expendable)	961,678	0	961,678
Unrestricted	<u>2,024,944</u>	<u>179,093</u>	<u>2,204,037</u>
TOTAL NET POSITION	<u><u>\$ 13,554,242</u></u>	<u><u>\$ 264,876</u></u>	<u><u>\$ 13,819,118</u></u>

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 16,993,844	\$ 29,750	\$ 6,518,811	\$ 0	\$ (10,445,283)	\$ 0	\$ (10,445,283)
Support Services:							
Student	837,955	0	143,817	0	(694,138)	0	(694,138)
Instructional staff	822,737	0	113,747	0	(708,990)	0	(708,990)
District administration	1,208,294	0	59,072	0	(1,149,222)	0	(1,149,222)
School administration	1,130,807	0	239,716	0	(891,091)	0	(891,091)
Business	533,266	0	90,448	0	(442,818)	0	(442,818)
Plant operations and maintainance	2,045,419	0	177,426	0	(1,867,993)	0	(1,867,993)
Student transportation	2,130,632	0	238,097	0	(1,892,535)	0	(1,892,535)
Community services	213,005	14,669	39,488	0	(158,848)	0	(158,848)
Other Instructional	97,966	0	0	0	(97,966)	0	(97,966)
Facilities acquisition and construction	37,609	0	0	0	(37,609)	0	(37,609)
Interest on long-term debt	279,842	0	0	535,466	255,624	0	255,624
Total Governmental Activities	<u>26,331,376</u>	<u>44,419</u>	<u>7,620,622</u>	<u>535,466</u>	<u>(18,130,869)</u>	<u>0</u>	<u>(18,130,869)</u>
Business Type Activities:							
Food Service	1,855,851	352,165	1,422,528	0	0	(81,158)	(81,158)
Total Business Type Activities	<u>1,855,851</u>	<u>352,165</u>	<u>1,422,528</u>	<u>0</u>	<u>0</u>	<u>(81,158)</u>	<u>(81,158)</u>
Total Primary Government	<u>\$ 28,187,227</u>	<u>\$ 396,584</u>	<u>\$ 9,043,150</u>	<u>\$ 535,466</u>	<u>\$ (18,130,869)</u>	<u>\$ (81,158)</u>	<u>\$ (18,212,027)</u>
			General Revenues:				
				\$ 5,586,490	\$ 0	\$ 5,586,490	
				642,129	0	642,129	
				1,297,731	0	1,297,731	
				9,974,635	0	9,974,635	
				2,668	67	2,735	
				<u>222,108</u>	<u>0</u>	<u>222,108</u>	
				<u>17,725,761</u>	<u>67</u>	<u>17,725,828</u>	
				<u>(261,665)</u>	<u>0</u>	<u>(261,665)</u>	
				(666,773)	(81,091)	(747,864)	
				14,484,451	345,967	14,830,418	
				<u>(263,436)</u>	<u>0</u>	<u>(263,436)</u>	
				<u>14,221,015</u>	<u>345,967</u>	<u>14,566,982</u>	
				<u>\$ 13,554,242</u>	<u>\$ 264,876</u>	<u>\$ 13,819,118</u>	

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 2,494,192	\$ 0	\$ 992,454	\$ 6,833	\$ 3,493,479
Accounts receivable					
Taxes	103,089	0	0	0	103,089
Accounts	49,421	33,445	0	0	82,866
Intergovernmental - Federal	0	115,593	0	0	115,593
Due from other funds	89,930	0	0	0	89,930
TOTAL ASSETS	\$ 2,736,632	\$ 149,038	\$ 992,454	\$ 6,833	\$ 3,884,957
 LIABILITIES:					
Accounts payable	\$ 69,315	\$ 983	\$ 37,609	\$ 0	\$ 107,907
Due to other funds	0	89,930	0	0	89,930
Unearned revenue	0	58,125	0	0	58,125
TOTAL LIABILITIES	69,315	149,038	37,609	0	255,962
 FUND BALANCES:					
Restricted					
Capital projects	0	0	954,845	6,833	961,678
Committed-sick leave	213,599	0	0	0	213,599
Unassigned	2,453,718	0	0	0	2,453,718
TOTAL FUND BALANCES	2,667,317	0	954,845	6,833	3,628,995
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,736,632	\$ 149,038	\$ 992,454	\$ 6,833	\$ 3,884,957

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Governmental Fund Balances	\$	3,628,995
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		
Bond discounts and issue costs		123,989
Capital assets		23,534,458
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position</p>		
Bond obligations		(11,960,000)
Capital lease obligations		(1,006,838)
Accrued interest		(77,499)
Other accrued liabilities		(261,665)
Accrued sick leave		(427,198)
		(13,633,190)
Net Position of Governmental Activities	\$	13,554,242

MASON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 4,967,657	\$ 0	\$ 0	\$ 618,833	\$ 5,586,490
Motor vehicle	642,129	0	0	0	642,129
Utilities	1,297,731	0	0	0	1,297,731
Earnings on investments	2,655	13	0	0	2,668
Other local revenues	165,358	128,681	0	0	294,039
Intergovernmental - State	14,064,275	887,177	0	1,080,218	16,031,670
Intergovernmental - Indirect federal	104,092	1,955,474	0	0	2,059,566
TOTAL REVENUES	21,243,897	2,971,345	0	1,699,051	25,914,293
EXPENDITURES:					
Current:					
Instruction:	14,007,915	2,486,898	0	0	16,494,813
Support Services:					
Student	741,558	62,885	0	0	804,443
Instructional staff	651,926	158,017	0	0	809,943
District administration	1,073,580	200	0	0	1,073,780
School administration	1,125,030	0	0	0	1,125,030
Business	523,874	6,108	0	0	529,982
Plant operations and maintainance	2,019,677	0	0	0	2,019,677
Student transportation	1,984,101	0	0	0	1,984,101
Community services	0	207,991	0	0	207,991
Other Instructional	0	97,966	0	0	97,966
Facilities acquisition and construction	0	0	37,609	0	37,609
Debt service	0	0	0	1,309,229	1,309,229
TOTAL EXPENDITURES	22,127,661	3,020,065	37,609	1,309,229	26,494,564
Excess (Deficit) of Revenues over Expenditures	(883,764)	(48,720)	(37,609)	389,822	(580,271)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	48,720	992,454	773,763	1,814,937
Operating transfers out	(48,720)	0	(130,000)	(1,636,217)	(1,814,937)
Sale of capital assets	3,420	0	0	0	3,420
Capital lease proceeds	270,965	0	0	0	270,965
TOTAL OTHER FINANCING SOURCES (USES):	225,665	48,720	862,454	(862,454)	274,385
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(658,099)	0	824,845	(472,632)	(305,886)
Fund balance - beginning of year	3,325,416	0	130,000	479,465	3,934,881
Fund balance - end of year	\$ 2,667,317	\$ 0	\$ 954,845	\$ 6,833	\$ 3,628,995

See Accompanying Notes to the Financial Statements

**MASON 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, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ (305,886)
Amounts reported for governmental activities in the statement of activities are different because:	
Bond issue costs are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:	
Amortization expense	(7,945)
The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.	
	(737)
Bond proceeds are recognized in this fund financial statement as resources available for use as current financial resources, but bond proceeds are not recognized in the statement of activities.	
Capital lease proceeds	(261,672)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Capital outlays	246,348
Depreciation expense	(1,260,825)
Generally, expenditures recognized in the 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.	
Change in accrued interest	17,332
Change in other liabilities	(261,665)
Change in sick leave	(125,323)
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.	
	<u>1,293,600</u>
Change in Net Position of Governmental Activities	<u>\$ (666,773)</u>

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 4,586,000	\$ 4,641,000	\$ 4,967,657	\$ 326,657
Motor vehicle	475,000	475,000	642,129	167,129
Utilities	1,007,723	1,007,724	1,297,731	290,007
Earnings on investments	3,500	2,500	2,655	155
Other local revenues	31,100	56,800	165,358	108,558
Intergovernmental - State	9,894,608	11,626,513	14,064,275	2,437,762
Intergovernmental - Indirect federal	55,000	58,000	104,092	46,092
TOTAL REVENUES	<u>16,052,931</u>	<u>17,867,537</u>	<u>21,243,897</u>	<u>3,376,360</u>
EXPENDITURES:				
Current:				
Instruction:	10,808,038	11,718,102	14,007,915	(2,289,813)
Support Services:				
Student	592,435	587,430	741,558	(154,128)
Instructional staff	606,081	651,697	651,926	(229)
District administration	830,931	1,162,859	1,073,580	89,279
School administration	832,560	856,560	1,125,030	(268,470)
Business	473,795	494,039	523,874	(29,835)
Plant operations and maintenance	2,420,303	2,476,233	2,019,677	456,556
Student transportation	1,731,314	2,084,317	1,984,101	100,216
Debt service	5,000	100,000	0	100,000
Other	39,000	11,000	0	11,000
TOTAL EXPENDITURES	<u>18,339,457</u>	<u>20,142,237</u>	<u>22,127,661</u>	<u>(1,985,424)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,286,526)</u>	<u>(2,274,700)</u>	<u>(883,764)</u>	<u>1,390,936</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(61,368)	(48,720)	(48,720)	0
Sale of assets		1,000	3,420	2,420
Capital lease proceeds	0	0	270,965	270,965
Contingency	(1,322,503)	(1,322,503)	0	1,322,503
TOTAL OTHER FINANCING SOURCES (USES):	<u>(1,383,871)</u>	<u>(1,370,223)</u>	<u>225,665</u>	<u>1,595,888</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(3,670,396)	(3,644,923)	(658,099)	2,986,824
Fund balance - beginning of year	<u>3,670,396</u>	<u>3,670,396</u>	<u>3,325,416</u>	<u>(344,980)</u>
Fund balance - end of year	<u>\$ 0</u>	<u>\$ 25,473</u>	<u>\$ 2,667,317</u>	<u>\$ 2,641,844</u>

Note: Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$4,036,701.

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Other local revenues	\$ 0	\$ 95,569	\$ 128,681	\$ 33,112
Earnings on investments	4	10	13	3
Intergovernmental - State	832,080	808,749	887,177	78,428
Intergovernmental - Indirect federal	1,619,645	1,890,058	1,955,474	65,416
TOTAL REVENUES	<u>2,451,729</u>	<u>2,794,386</u>	<u>2,971,345</u>	<u>176,959</u>
EXPENDITURES:				
Current:				
Instruction:	2,128,737	2,206,683	2,486,898	(280,215)
Support Services:				
Student	30,000	40,000	62,885	(22,885)
Instructional staff	142,306	303,403	158,017	145,386
District administration	200	0	200	(200)
Business	23,500	688	6,108	(5,420)
Community services	188,354	177,275	207,991	(30,716)
Other Instructional	0	95,569	97,966	(2,397)
TOTAL EXPENDITURES	<u>2,513,097</u>	<u>2,823,618</u>	<u>3,020,065</u>	<u>(196,447)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(61,368)</u>	<u>(29,232)</u>	<u>(48,720)</u>	<u>(19,488)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	61,368	29,232	48,720	17,996
Operating transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES):	<u>61,368</u>	<u>29,232</u>	<u>48,720</u>	<u>17,996</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	(1,492)
Fund balance - beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance - end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,492)</u>

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 12,202
Accounts receivable	121,910
Inventory	<u>45,821</u>
Total Current Assets	179,933
Noncurrent Assets	
Machinery & equipment	393,280
Accumulated depreciation	<u>(307,497)</u>
Total Noncurrent Assets	<u>85,783</u>
TOTAL ASSETS	\$ <u><u>265,716</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	<u>\$ 840</u>
TOTAL LIABILITIES	<u>840</u>
NET POSITION:	
Invested in capital assets, net of related debt	85,783
Unrestricted	<u>179,093</u>
TOTAL NET POSITION	<u>264,876</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>265,716</u></u>

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>
OPERATING REVENUES:	
Lunchroom sales	\$ 349,705
Other operating revenues	2,460
TOTAL OPERATING REVENUES	<u>352,165</u>
OPERATING EXPENSES:	
Salaries and wages	459,890
Employee benefits	266,201
Contract services	26,828
Materials and supplies	1,068,208
Property	22,637
Miscellaneous	839
Depreciation	11,248
TOTAL OPERATING EXPENSES	<u>1,855,851</u>
Operating income (loss)	(1,503,686)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	1,073,816
Federal commodities	199,154
State grants	149,558
Interest income	67
NON-OPERATING REVENUES (EXPENSES)	<u>1,422,595</u>
Change in net position	(81,091)
Total net position - beginning of year	<u>345,967</u>
Total net position - end of year	<u>\$ 264,876</u>

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 352,165
Cash paid to suppliers	(939,334)
Cash paid to employees	(576,533)
Net Cash Provided (Used) by Operating Activities	<u>(1,163,702)</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Governmental grants	<u>951,906</u>
Net Cash Provided (Used) by Noncapital Activities	<u>951,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>67</u>
Net Cash Provided (Used) by Investing Activities	<u>67</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(211,729)
Cash and cash equivalents - beginning of year	<u>223,931</u>
Cash and cash equivalents - end of year	<u><u>\$ 12,202</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,503,686)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Federal commodities	199,154
On-behalf payments	149,558
Depreciation	11,248
Changes in Assets and Liabilities:	
Inventory	(18,852)
Accounts payable	<u>(1,124)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,163,702)</u></u>
Schedule of non-cash transactions:	
Donated commodities received from federal government	\$ 199,154
On-behalf payments	\$ 149,558

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	SPECIAL PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ 21,969	\$ 383,423
Accounts receivable	0	97
TOTAL ASSETS	\$ 21,969	\$ 383,520
LIABILITIES:		
Accounts payable	\$ 0	\$ 15,045
Due to student groups	0	368,475
TOTAL LIABILITIES	\$ 0	\$ 383,520
NET POSITION:		
Held in trust for special purpose	\$ 21,969	
TOTAL NET POSITION	\$ 21,969	

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>SPECIAL PURPOSE TRUST FUNDS</u>
ADDITIONS	
Interest income	\$ <u>13</u>
Change in Net Position	13
Total net position - beginning of year	<u>21,956</u>
Total net position - end of year	<u><u>\$ 21,969</u></u>

See Accompanying Notes to the Financial Statements

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – REPORTING ENTITY

The Mason 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 school education within the jurisdiction of the Mason 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 included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, and the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Mason County School District. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the District itself, such as Boosters Clubs, Parent-Teacher Associations, etc.

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 following organization are included in the accompanying financial statements:

Blended Component Unit

Mason County Board of Education Finance Corporation - In a prior year, the Board of Education resolved to authorize the establishment of the Mason County School District Finance Corporation (a non-stock, non-profit corporation organized under Section 162.385 of the School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Mason County Board of Education also comprise the corporation's Board of Directors.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financials statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

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

Fund Financial Statements

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

BASIS OF PRESENTATION (CONT'D)

Fund Financial Statements (Cont'd)

changes in the total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

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

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.

(C) Capital Project 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 following are Capital Project Funds:

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky 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. This is a non-major fund of the District.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Financial Statements (Cont'd)

- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a non major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type

- (A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.
- (B) The Special Purpose Trust Fund accounts for funds donated to the District for special purposes.

BASIS OF ACCOUNTING

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

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

BASIS OF ACCOUNTING (CONT'D)

In the Government-wide Statement of Net position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange 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 the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, governmental funds, agency funds and trust funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 16 for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular or special meetings. Per District policy, only amendments that aggregate greater than \$10,000 require Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Prepaid Assets

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.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes received after December 31, are considered delinquent and the County Attorney can file a lien against the property.

Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.450 per \$100 valuation for real property, \$.450 per \$100 valuation for business personal property and \$.555 per \$100 valuation for motor vehicles.

The District levies a 3% utility tax on all businesses and households within the County.

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 one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Capital Assets (Cont'd)

Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund advances are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Net Position

Net position represents the difference between assets and liabilities. Net position, invested in capital assets, net related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may include a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not report any items in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by various schools. All other revenues are non-operating. Operating expenses can be tied directly to the production of the goods and services, such as the materials and labor and direct overhead. Other expenses are non-operating.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants, or outside contributions of resources restricted to capital acquisition and construction.

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 assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The District implemented the new requirements for the fiscal year 2013 financial statements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District implemented the new requirements for the fiscal year 2013 financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$3,911,073. The bank balance for the same time was \$4,409,586. 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. Of the bank balance, \$500,000 was covered by the Federal Depository Insurance, \$3,909,586 was covered by collateral held in pledging bank's trust department in the District's name.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 - CASH AND CASH EQUIVALENTS (Cont'd)

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

Governmental Funds	\$3,493,479
Proprietary Funds	12,202
Fiduciary Funds	<u>405,392</u>
Total	<u>\$3,911,073</u>

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: Special Revenue Fund, SEEK Capital Outlay Fund, FSPK Building Fund, Construction Fund, Food Service Fund and School Activity Funds.

NOTE - 4 CAPITAL ASSETS

Depreciation expense was charged to functions of the governmental activities of the District as follows:

Governmental Activities:

Instruction	\$959,894
Support Services:	
Student	33,512
Instructional staff	12,793
District administration	9,191
School administration	5,777
Business	3,284
Plant operations & maintenance	25,742
Student transportation	205,618
Non-instructional	<u>5,015</u>
Total depreciation expense, governmental activities	<u>\$1,260,826</u>

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE - 4 CAPITAL ASSETS (Cont'd)

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$1,276,725	\$0	\$0	\$1,276,725
Total capital assets not being depreciated	1,276,725	0	0	1,276,725
Other capital assets				
Land Improvements	1,264,852	0	0	1,264,852
Buildings & Improvements	31,191,191	0	0	31,191,191
Technological Equipment	4,028,815	246,348	(120,995)	4,154,168
Vehicles	3,666,920	0	(24,886)	3,642,034
General Equipment	1,195,696	0	(2,820)	1,192,876
Total other assets	41,347,474	246,348	(148,701)	41,445,121
Less accumulated depreciation for:				
Land Improvements	(1,226,657)	(5,093)	0	(1,231,750)
Buildings & Improvements	(10,865,411)	(660,473)	0	(11,525,884)
Technological Equipment	(2,850,466)	(312,341)	120,258	(3,042,549)
Vehicles	(2,321,072)	(205,525)	24,886	(2,501,711)
General Equipment	(810,920)	(77,394)	2,820	(885,494)
Total accumulated depreciation	(18,074,526)	(1,260,826)	147,964	(19,187,388)
Other capital assets, net	23,272,948	(1,014,478)	(737)	22,257,733
Governmental Activities, net	\$24,549,673	(\$1,014,478)	(\$737)	\$23,534,458
Business Activities:				
Technological Equipment	\$46,868	\$0	(\$14,970)	\$31,898
General Equipment	346,411	0	0	346,411
Total	393,279	0	(\$14,970)	378,309
Less accumulated depreciation for:				
Technological Equipment	(41,707)	(1,360)	14,970	(28,097)
General Equipment	(254,541)	(9,888)	0	(264,429)
Total accumulated depreciation	(296,248)	(11,248)	14,970	(292,526)
Business Activities, net	\$97,031	(\$11,248)	(\$0)	\$85,783

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – LONG-TERM DEBT & LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Mason County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Approval has been received for the biennial fiscal period ended June 30, 2013. Should approval not be received in future period, the District remains obligated for the full amount of the bond principal and interest payments. 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 original amount of each issue, issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	Balance <u>June 30, 2013</u>	<u>Maturity Date</u>
2002	\$1,100,000	1.75-3.85%	\$0	06/01/2013
2004	14,425,000	2.00-4.375%	2,175,000	03/01/2016
2009	1,450,000	1.50-2.00%	690,000	04/01/2017
2012	9,235,000	1.238-2.40%	9,095,000	03/01/2024
	<u>\$26,210,000</u>		<u>\$11,960,000</u>	

The bonds which 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, 2013 for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Mason County School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$588,434	\$180,642	\$391,566	\$114,452	\$1,275,094
2015	611,468	163,275	403,532	102,485	1,280,760
2016	628,652	144,407	416,348	89,667	1,279,074
2017	639,925	124,168	396,991	75,942	1,270,110
2018	653,009	112,114	404,933	68,038	1,230,152
2019-23	3,485,304	346,958	2,114,696	210,442	6,157,400
2024	746,871	19,606	453,129	11,894	1,231,500
	<u>\$7,353,663</u>	<u>\$1,091,170</u>	<u>\$4,606,337</u>	<u>\$672,920</u>	<u>\$13,724,090</u>

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – LONG-TERM DEBT & LEASE OBLIGATIONS (Cont'd)

Defeased Bonds

As of June 30, 2013, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was approximately \$8,460,000.

KSBIT Payable

The Kentucky School Board Insurance Trust (KSBIT) notified the District during the year that its self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of insurance using the novation option of funding. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District's liability under the novation method would be \$261,665. The District will have the option to make a lump-sum payment of its assessment or to finance the liability over 20 years. The plan is still subject to approval and no payment is expected for the year ending June 30, 2014. The District has recorded this estimated amount in its long-term obligations since payment is probable and is included as an extraordinary item on the statement of activities.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2013:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds	\$12,980,000	\$0	\$1,020,000	\$11,960,000	\$980,000
Capital Leases	1,018,767	261,672	273,601	1,006,838	302,433
KSBIT Payable	0	261,665	0	261,665	0
Sick Leave	301,874	245,802	120,478	427,198	106,799
Total	\$14,300,641	\$769,139	\$1,414,079	\$13,655,701	\$1,389,232

Capital Leases

The following is an analysis of the leased property under capital leases by class at June 30, 2013:

Class of Property	Amount
Buses	\$782,214
Equipment	719,281
Less: Accumulated Depreciation	(83,606)
Book Value	\$1,417,889

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – LONG-TERM DEBT & LEASE OBLIGATIONS (Cont'd)

The following is a schedule by years of the future minimum lease payments under capital leases with the present value of the minimum lease payments as of June 30, 2013:

<u>Year Ending June 30</u>	<u>Capital lease payable</u>
2014	\$322,980
2015	171,836
2016	89,786
2017	89,730
2018	89,553
Thereafter	<u>326,681</u>
Total minimum lease payments	1,090,566
Less: Amount of interest	<u>(83,728)</u>
Present value of net minimum lease payments	<u>\$1,006,838</u>

NOTE 6 - COMMITMENTS UNDER NON CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2013 as follows:

<u>Year ending June 30:</u>	
2014	\$150,709
2015	150,709
2016	148,082
2017	<u>70,551</u>
Total	<u>\$520,051</u>

Rent expense for the year ended June 30, 2013 was \$147,873.

NOTE 7 - RETIREMENT PLAN

Kentucky Teacher's Retirement System

The District contributes to the Kentucky Teachers' Retirement System (KTRS), a cost-sharing, multiple-employer, defined benefit pension plan, for the District's certified employees. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires members of KTRS to occupy a position requiring either a four year degree or certification by the KY Department of Education (KDE).

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - RETIREMENT PLAN (Cont'd)

KTRS 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). KTRS issues a publicly available financial report that includes the financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>.

Funding policy - Contribution rates for KTRS are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program that pays for salaries also pays the matching contributions

The District's total payroll for the year was \$16,116,071. The payroll for employees covered under KTRS was \$12,743,879. For the year ended June 30, 2013 the Commonwealth contributed \$1,587,479 for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2013 were \$225,288, which represents those employees covered by federal programs. Total contributions to KTRS for the years ending June 30, 2013, June 30, 2012 and 2011 were \$1,611,233, \$1,505,788 and \$1,420,047 respectively.

County Employees' Retirement System

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute either 5% or 6% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total compensation. The contribution requirements for CERS for the years ended June 30, 2013, 2012 and 2011 were \$794,173 (which consisted of \$627,421 from the District and \$166,752 from the employees), \$752,613 and \$687,844, respectively.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - RETIREMENT PLAN (Cont'd)

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. A copy of the annual report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by calling (502) 564-4646.

Deferred Compensation

The District also offers employees the option to participate in a defined contribution plan under Section 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. Employee contributions made to these plans during the year totaled \$240,940. The District does not contribute to these plans.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to this plan during the year totaled \$135,396. The District does not contribute to this plan.

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS 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. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - RETIREMENT PLAN (Cont'd)

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2013, this amount totaled \$427,198. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

NOTE 9 - 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated and include worker's compensation insurance.

NOTE 10 - RISK MANAGEMENT

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 worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual Premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 - RISK MANAGEMENT (Cont'd)

premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; risk has not been transferred to such fund. 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 several fiscal years.

NOTE 11 - COBRA

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

NOTE 12 – LITIGATION

The District is subject to a legal action in the stage of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE 13 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon 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 to 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 grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 - CONTINGENCIES (Cont'd)

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 14 - DEFICIT OPERATING/ FUND BALANCES

There were no funds operating at a deficit fund balance at June 30, 2013. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balance:

General Fund	\$658,099
Building Fund	\$472,632
Food Service	\$81,091

NOTE 15 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology	\$48,720
Capital Outlay	Debt Service	Debt Service	\$110,750
Capital Outlay	Construction	Construction	\$140,836
Building	Construction	Construction	\$851,618
Building	Debt Service	Debt Service	\$533,013
Construction	Debt Service	Debt Service	\$130,000

**MASON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 16 - ON-BEHALF PAYMENTS

The Commonwealth of Kentucky contributes funds on behalf of the District for medical insurance and related expenses, pension contributions and vocational education. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts as reported on the statement of activities and in the actual column on the budgetary comparison schedule.

These revenues were not budgeted by the District. As a result, the actual expenditures for the General, Proprietary and Building funds exceeded budgeted amounts, as presented on the budgetary comparison schedules.

For the fiscal year ended June 30, 2013, the on-behalf payments were recorded as follows:

General Fund	\$4,036,701
Food Service Fund	134,033
Debt Service Fund	<u>535,466</u>
Total	<u><u>\$4,706,200</u></u>

NOTE 17- PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$263,436 is shown as an increase to beginning net position on the statement of activities to report capital lease obligations incurred in a prior year.

MASON COUNTY SCHOOL DISTRICT
SUPPLEMENTAL SCHEDULES

**MASON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 0	\$ 6,833	\$ 0	\$ 6,833
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 6,833</u>	<u>\$ 0</u>	<u>\$ 6,833</u>
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	0	0	0
FUND BALANCES:				
Restricted	0	6,833	0	6,833
TOTAL FUND BALANCES	0	6,833	0	6,833
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 6,833</u>	<u>\$ 0</u>	<u>\$ 6,833</u>

**MASON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 0	\$ 618,833	\$ 0	\$ 618,833
Intergovernmental - State	251,586	293,166	535,466	1,080,218
TOTAL REVENUES	251,586	911,999	535,466	1,699,051
EXPENDITURES:				
Current:				
Support Services:				
Debt service	0	0	1,309,229	1,309,229
TOTAL EXPENDITURES	0	0	1,309,229	1,309,229
Excess (Deficit) of Revenues over Expenditures	251,586	911,999	(773,763)	389,822
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	773,763	773,763
Operating transfers out	(251,586)	(1,384,631)	0	(1,636,217)
TOTAL OTHER FINANCING SOURCES (USES):	(251,586)	(1,384,631)	773,763	(862,454)
Excess (Deficit) of revenues and Other financing sources over expenditures and other financing uses	0	(472,632)	0	(472,632)
Fund balance - beginning of year	0	479,465	0	479,465
Fund balance - end of year	\$ 0	\$ 6,833	\$ 0	\$ 6,833

**MASON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
 MASON COUNTY SCHOOLS ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	RECEIPTS	DISBURSEMENTS	Cash Balance June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Mason County High School	\$ 187,886	\$ 860,035	\$ 796,654	\$ 251,268	\$ 97	\$ 11,094	\$ 240,271
Mason County Middle School	39,254	194,789	181,684	52,359	-	1,452	50,907
Mason County Intermediate	15,085	91,444	84,884	21,645	-	1,129	20,516
Straub Elementary	37,586	158,680	138,115	58,151	-	1,370	56,781
	<u>\$ 279,811</u>	<u>\$ 1,304,948</u>	<u>\$ 1,201,337</u>	<u>\$ 383,423</u>	<u>\$ 97</u>	<u>\$ 15,045</u>	<u>\$ 368,475</u>

**MASON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
MASON COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	RECEIPTS	DISBURSEMENTS	Cash Balance June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
ACT Prep	\$ 8	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ 8
AP exams	436	4,881	5,009	308	-	-	308
Art class	14	-	-	14	-	-	14
Art club	848	2,039	2,594	293	-	-	293
Athletic F/R	-	476	32	444	-	-	444
Athletics	786	160,523	155,867	5,442	-	1,929	3,513
Band	245	-	170	75	-	121	(46)
Band boosters	5,046	17,484	22,392	138	-	-	138
Band II	566	-	566	-	-	-	-
Baseball facilities	4,300	-	-	4,300	-	-	4,300
Baseball	1,991	18,968	16,235	4,725	-	919	3,805
Beta club	437	1,765	1,808	395	-	-	395
Boys basketball coach	5,159	16,045	18,473	2,731	-	-	2,731
Boys BBK Golf Scramble	-	2,082	342	1,740	-	-	1,740
Boys basketball spirit gear	1,696	1,376	1,105	1,967	-	-	1,967
Boys basketball camp	585	3,355	1,536	2,404	-	-	2,404
Boy/Girl district	-	32,630	27,576	5,054	-	-	5,054
Boys Soccer	252	5,677	4,416	1,513	-	-	1,513
Bus trips	45	743	701	87	-	-	87
Champions against	810	590	416	984	-	-	984
Cheerleaders	2,614	18,425	18,376	2,662	-	1,600	1,062
Class fees	459	1,575	1,977	57	-	-	57
Class of 2016	2,321	3,465	2,414	3,372	-	-	3,372
Class of 2013	3,225	(1,100)	52	2,073	-	-	2,073
Class of 2014	896	13,330	11,471	2,755	-	1,082	1,673
Class of 2015	1,621	-	390	1,231	-	-	1,231
Coffee Fund	14	-	-	14	-	-	14
Concessions- football	500	17,794	18,294	-	-	-	-
Concessions B/G BB	-	39,820	39,820	-	-	-	-
Cross country	416	16,226	11,623	5,019	-	-	5,019
Culinary Arts	-	724	724	0	-	-	-
Dance team	-	292	-	292	-	-	292
Daycare	5	-	-	5	-	-	5
Discipline	245	-	150	95	-	-	95
Drama Club	22	-	-	22	-	-	22
F.E.A	632	-	386	246	-	-	246
Family, consumer	33	-	-	33	-	-	33
Fastpitch softball	165	160	(100)	425	-	-	425
FFA Alumni	2,358	-	302	2,057	-	-	2,057
FCCLA	-	29,264	26,650	2,615	-	305	2,310
FCCLA national meeting	95	20,361	15,554	4,903	-	-	4,903
FCCLA - Region 9	47	2,091	-	2,138	-	-	2,138
FCCLA scholarship	250	1,070	1,314	7	-	-	7
Fellowship of christian athletes	190	-	-	190	-	-	190
Flower fund	21	-	-	21	-	-	21
Football capital	5,542	4,800	9,460	882	-	-	882
Football coaches	367	11,021	11,119	270	-	-	270
Football spirit gear	90	5,372	4,975	487	-	-	487
Football Qtr Auction	-	3,039	3,039	-	-	-	-
Football supplemental	1,280	17,619	17,934	965	-	-	965
FB UA Cleats	-	364	-	364	-	-	364
Future business	6	-	-	6	-	-	6
Future Farmers of America	4,634	20,890	18,595	6,928	-	-	6,928
General	544	21,813	19,490	2,867	-	899	1,968
General student fee	20	3,472	3,451	41	-	-	41
Girls basketball	237	23,916	21,807	2,346	-	375	1,971
Girls golf	1,201	2,717	2,798	1,120	-	-	1,120
Girls golf tournament	600	200	800	-	-	-	-
Girls support group	85	-	-	85	-	-	85
Golf boys	1,280	3,571	3,358	1,493	-	-	1,493
Golf tournament	-	1,700	1,700	-	-	-	-
Health fair	55	250	264	41	-	-	41
Hot shots	322	-	-	322	-	-	322

**MASON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
MASON COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	RECEIPTS	DISBURSEMENTS	Cash Balance June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Interest	169	93	200	62	-	-	62
Ipad help desk	100	3,294	2,941	454	-	-	454
Ipad Take Home Fee	-	32,543	23,076	9,467	-	-	9,467
Ipad Apps	-	8,688	15	8,673	-	-	8,673
Jazz Band	-	3,500	3,500	-	-	-	-
Juniorettes	-	145	120	25	-	-	25
Knights FB	2,005	7,474	6,172	3,307	-	-	3,307
Lab fees	1,770	-	727	1,043	-	-	1,043
Library	430	3,257	3,046	641	-	125	516
Literacy magazine	425	-	374	51	-	-	51
Literacy partners	11	-	-	11	-	-	11
Little Lady Royals	-	835	835	-	-	-	-
LYO/ Downing grant	962	-	962	-	-	-	-
M.C. athletic boosters	17,012	-	-	17,012	-	-	17,012
MCMS boys soccer	1,184	(360)	824	-	-	-	-
MCMS girls soccer	501	-	51	450	-	-	450
Music choir	706	560	166	1,100	-	-	1,100
Music Chorale Travel	-	2,355	-	2,355	-	-	2,355
Music grant	815	3,000	815	3,000	-	-	3,000
Music keyboard lab	1,245	-	-	1,245	-	-	1,245
Music orchestra	2,944	8,603	7,000	4,547	-	35	4,512
Music patrons	8,286	6,035	14,321	-	-	-	-
Music production	10,530	35,492	39,466	6,556	-	-	6,556
Music scholarships	5,581	4,436	3,200	6,817	-	-	6,817
Music/Theory Activities	-	1,054	105	949	-	-	949
Music travel	5,999	29,364	24,465	10,898	-	-	10,898
Music tux & dress	675	5,306	4,424	1,557	-	-	1,557
Music/grant/library	2,061	-	-	2,061	-	-	2,061
National Honor Society	20	275	-	295	-	-	295
Newspaper	241	-	-	241	-	-	241
Parental Involvement	98	-	-	98	-	-	98
Parking	3,355	4,349	1,482	6,222	-	-	6,222
Pee wee basketball	125	3,369	1,590	1,904	-	-	1,904
Peer mediators	386	-	-	386	-	-	386
Physics class	30	-	-	30	-	-	30
Practice living	-	2,565	2,538	27	-	-	27
Principal activities	4	12,787	4,663	8,128	-	-	8,128
Project graduation	3,647	2,195	3,539	2,303	-	2,546	(244)
PSAT	74	933	732	275	-	-	275
Red cross	243	-	-	243	-	-	243
Regional boys	-	51,448	50,155	1,293	-	-	1,293
Regional FHA	-	-	-	-	-	-	-
Relay for Life	-	-	-	-	-	-	-
Rewards room	65	-	-	65	-	-	65
ROTC	5,798	15,346	16,473	4,672	-	-	4,672
ROTC boosters	-	-	-	-	-	-	-
Royal For Soldiers	-	100	42	58	-	-	58
Royal Icing Bakery	46	1,551	1,246	351	-	-	351
S.T.A.R. funds	885	385	-	1,270	-	-	1,270
School pictures	182	786	535	433	-	-	433
Science club	1,681	1,421	2,255	847	-	-	847
Senior trip	120	-	-	120	-	-	120
Ski and board club	1,056	-	-	1,056	-	-	1,056
Soccer- 23rd District	-	-	-	-	-	-	-
Soccer girls	2,550	4,548	3,937	3,161	-	-	3,161
Spanish club	313	383	506	190	-	-	190
Special needs students	164	75	-	239	-	-	239
Sr awards	462	-	-	462	-	-	462
Stamps	43	1,241	1,189	95	-	-	95
STLP	656	-	-	656	-	-	656
Student needs	26	5	-	31	-	-	31
Swim Team	-	1,058	969	89	-	-	89

**MASON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
 MASON COUNTY HIGH SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	RECEIPTS	DISBURSEMENTS	Cash Balance June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Tech ed projects	6,757	1,159	2,767	5,149	-	-	5,149
Tennis	369	5,732	5,008	1,094	-	-	1,094
The one stop royal	73	-	-	73	-	-	73
Track and field	6,416	23,014	20,274	9,156	-	1,147	8,009
Transportation	-	6,135	-	6,135	-	-	6,135
TSA	1,888	150	1,964	74	-	-	74
Turf fund	28,357	-	-	28,357	-	-	28,357
Vending	86	3,563	2,749	900	97	10	987
Video production	17	-	-	17	-	-	17
Virtual schools	600	-	-	600	-	-	600
Visual arts/ tech fee	1,285	-	375	910	-	-	910
Volleyball	188	464	556	96	-	-	96
Y Club	1	1,421	1,345	77	-	-	77
Yearbook	553	5028.57	5540	42	-	-	42
Total	<u>\$ 187,886</u>	<u>\$ 860,035</u>	<u>\$ 796,654</u>	<u>\$ 251,268</u>	<u>\$ 97</u>	<u>\$ 11,094</u>	<u>\$ 240,271</u>

MASON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<u>U.S. Department of Education</u>			
Passed Through Kentucky State Department of Education:			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education Grants to States	84.027	3810002-12	\$614,808
Special Education Preschool Grants	84.173	3800002-12	44,571
Total Special Education Cluster (IDEA)- Cluster			\$659,379
Career and Technical Education – Basic Grants	84.048	4621110-10	\$1,700
Career and Technical Education -- Basic Grants	84.048	4621232-10	5
Career and Technical Education – Basic Grants	84.048	4621232-13	21,335
Total Career and Technical Education			23,040
Education Jobs Fund	84.410	EJOB00-10	\$96,469
Special Education- Studies and Evaluations	84.329	4239	\$131
Rural Education	84.358	3140002-12	\$47,849
Improving Teacher Quality State Grants	84.367	3230002-11	\$2,051
Improving Teacher Quality State Grants	84.367	3230002-12	186,603
Total Improving Teacher Quality			188,654
Race to the Top	84.413	3960002-11	\$15,480
Title I Grants to Local Educational Agencies	84.010	3100002-11	\$236
Title I Grants to Local Educational Agencies	84.010	3100002-12	937,317
Total Title I			\$937,553
Total U.S. Department of Education			\$1,968,556
<i>United States Department of Defense</i>			
MJROTC- Direct Grant	12.000	Fund 1	\$67,366
Total U.S. Department of Defense			\$67,366
<i>United States Department of Agriculture Direct Programs</i>			
Passed Through Kentucky State Department of Education:			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	7760005-12	54,150
School Breakfast Program	10.553	7760005-13	235,644
National School Lunch Program	10.555	7750002-12	148,703
National School Lunch Program	10.555	7750002-13	634,702
National School Lunch Program – Commodities	10.555	Fund 51	199,154
Food For Progress Program	10.560	7850012-12	618
Total U.S. Department of Agriculture			\$1,272,971
<i>Total Expenditures of Federal Awards</i>			\$3,308,893

**MASON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mason County School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 OMB A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursements. 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 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year, the District received food commodities totaling \$199,154.

SUMMERS, MCCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Mason County School District
Maysville, KY

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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mason County School District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that

there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 13-01 and 13-02. These findings are noncompliance of specific state statutes or regulations identified in *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements.

We noted certain matters that we reported to management of the District in a separate letter dated November 11, 2013.

Mason County School District's Response to Findings

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

Purpose of this Report

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

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 11, 2013

SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee For School District Audits
Members of the Board of Education
Mason County School District
Maysville, KY

Report on Compliance for Each Major Federal Program

We have audited Mason County School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Mason 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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 11, 2013

**MASON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____yes X no

Significant deficiencies identified that are not considered to be material weakness? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over majority programs:

Material weakness(es) identified? _____yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____yes X none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are required to be report in accordance with section 510(a) of Circular A-133? _____yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster Title 1</u>
84.010	

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

Auditee qualified as low-risk auditee? X yes _____no

**MASON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings

State Audit Requirements

13-01 Condition: The District did not publish the annual financial statements, vendor payment register and the tax rates levied by the District.

Criteria: Per KRS 424.220, the District shall publish the total amount of funds collected and disbursed during the fiscal year. Per KRS 424.250, the District shall publish the tax rates levied by the District.

Effect: Noncompliance with state statutes.

Cause: Oversight due to change in finance officer.

Recommendation: The District should publish the annual financial statements, vendor payment register and tax rates by the date required by state statute.

Response: Findings will be corrected in 2013-2014 school year. The Superintendent will review monthly reporting requirements with cabinet staff, so it will not be missed due to an absence again.

13-02 Condition: Employees were not paid in accordance to board approved single salary schedule.

Criteria: In accordance with KRS 157.320(12) and 157.351(3); 702 KAR 3:070, the District is to approve and adhere to a single salary schedule each year.

Cause: The approved single salary schedule had not been updated for the rates being paid or for the position.

Recommendation: The District needs to review the single salary schedule each year to ensure that all positions and rates are correct before providing to the Board for approval. Once approved by the Board all positions should be paid accordingly.

Response: The District agrees with the finding and the single salary schedule will be revised and submitted to the Board for approval.

Section III – Federal Award Findings and Questioned Costs

None

**MASON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

- Finding 12-01: Internal controls established by the District were not being followed consistently. Some improvement was made but issues were still noted in the current year but not considered a significant deficiency (see management letter comment below).
- Finding 12-02: Employee expense reimbursement requests were not being properly reviewed and authorized by a supervisor. Except for requests submitted by the former Superintendent, this issue was not noted in the current year.

SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. McCRARY, JR., CPA
THOMAS S. SPARKS, CPA
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SUSAN A. LACY, CPA
DEBORAH L. MAYNARD, CPA
RYAN R. LASKI, CPA

LAURENCE T. SUMMERS
1961-1992

Members of the Board of Education
Mason County School District
Maysville, KY 41056

In planning and performing our audit of the financial statements of Mason County School District for the year ended June 30, 2013, we considered the District's internal control structure 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 structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 11, 2013 on the financial statements of the Mason County School District

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

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 11, 2013

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

BOARD

1. Cash Disbursements

Condition: When testing cash disbursements, we noted internal controls were not being followed. The District needs to review and strengthen the existing controls over cash disbursements to ensure purchase orders are completed prior to making a purchase and consider centralizing the purchase order function to more easily monitor internal controls.

Response: The Superintendent and Director of Finance will review purchasing procedures with administration. All invoices will be reviewed for proper purchasing procedures. Any discrepancies will be reported to the Superintendent for corrective action.

2. KDE Reporting

Condition: The quarterly CDIP report for the period ending September 30, 2012 was submitted late to KDE. We recommend a system be developed to timely notify responsible District employees of the required due dates.

Response: The Finance Officer will develop a system to timely notify her of the filing requirements.

3. Title 1

Condition: Title 1 expenditures exceeded the award amount, which had been reduced from the original amount. The Finance Officer and the Title 1 Director should communicate when budget changes occur and carefully review the monthly project budget reports.

Response: We went over our amount in areas that were already committed and have adjusted the current budget to allow for budget decreases.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

STATUS OF PRIOR YEAR COMMENTS

Previously, it was noted that internal controls for cash disbursements were not being followed consistently. This condition was repeated in the current year. Previously it was noted that employee expense reimbursement requests were not properly authorized. Except for requests submitted by the former Superintendent, this issue was not noted in the current year.

SCHOOL ACTIVITY FUNDS

Mason County High School

Comment: During our review of cash receipts we found multiple instances of the Multiple Receipt Form (Form F-SA-6), not being signed properly. We recommend the Bookkeeper review the Multiple Receipt Form (Form F-SA-6) to ensure they are familiar with all items that need to be reported on the form.

Response: I have reviewed the form and have instructed everyone on how to properly fill them out and that will be the only form allowed for deposits.

Comment: During our review of transfers, we found multiple instances where transfers were not signed by all sponsors involved. We recommend the Bookkeeper review the "Transfers" policy section, item no. 1 of the "Redbook", which states the sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form (Form F-SA-10).

Response: I have reviewed the form and will have the proper sponsor(s) sign all transfers.

Comment: During our review of cash disbursements, we found multiple instances where the vendor signature was not obtained on the vendor invoice (Form F-SA-8). We recommend the Bookkeeper to review the "Purchasing" procedures section, item no. 3 of the "Redbook", which states if a vendor invoice is not available, the disbursement shall be supported by a standard invoice, which must be signed by the payee.

Response: I have started using the standard invoice for sports officials and will use them for any checks made that do not have an invoice.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

Comment: During our review of accounts payable, we found multiple invoices that were not included on the accounts payable listing at year end, which should have been. The Bookkeeper should review the "Financial Reports" policy section, item no. 1, and the "Definitions" section of the "Redbook," which states a listing of accounts payable (Form F-SA-15B) shall accompany the report. An accounts payable is when merchandise or services are received but not paid for at the end of the reporting period.

Response: I have reviewed this section and will use this form for monthly and yearly reconciliation.

Comment: During our review of ticket sales we noted the receipts were not being attached to the Requisition and Report of Tickets Sales (Form F-SA-1), and multiple forms were not completed correctly. We recommend the Bookkeeper review the "Ticket Sales" procedures section item no. 8 of the "Redbook", which states the school treasurer attaches a copy of the receipt to the report (Form F-SA-1). The Bookkeeper should also review the Requisition and Report of Tickets Sales (Form F-SA-1) to ensure they are familiar with all items that need to be reported on the form.

Response: We have instructed everyone involved with ticket sales the correct procedure in completing the ticket sales form.

Comment: During our review of activity funds we found one fund that ended the year with a deficit balance. We recommend the Bookkeeper review the "Financial Reports" policy section, item no. 4 of the "Redbook", which states no school activity fund shall end the fiscal year with a deficit balance.

Response: This was an outstanding invoice from our Band department from the prior year that was just brought to my attention at the end of the year. I should have made the Band Director responsible for the bill since he didn't have the full amount available. He is aware of the problem and is doing fundraisers to increase the balance of his account. He has been advised of the importance of having a PO for all purchases and turning the invoices in on a timely basis. All Activity Account sponsors have been informed that no invoice will be paid without a completed PO prior to the purchase.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

Mason County Middle School

Comment: During our review of petty cash, we noted the account is not following the policy and procedures set forth in the “Redbook”. We recommend the Board, Principal and Bookkeeper review the “Petty Cash Account” policy and procedures sections to ensure they are aware of their responsibilities when it comes to the petty cash account, and the procedures required to operate the account properly.

Response: The Principal and Bookkeeper have reviewed the Redbook policy regarding petty cash. The Mason County Board of Education has a petty cash policy that allows schools to have a fund of \$50. The petty cash is now \$50 and will operate according to Redbook policy.

Comment: During our review of ticket sales, we noted ticket colors were not being changed between events, the receipts were not being attached to the Requisition and Report of Tickets Sales (Form F-SA-1), and explanations of differences were not provided. We recommend the Bookkeeper review the “Ticket Sales” policy section, item no. 1 and the procedures section item no. 8 of the “Redbook”, which states to change or rotate colors of tickets with each event and the school treasurer attaches a copy of the receipt to the report (Form F-SA-1). The Bookkeeper should also review the Requisition and Report of Tickets Sales (Form F-SA-1) to ensure they are familiar with all items that need to be reported on the form.

Response: The procedure for ticket sales was reviewed. All persons involved with ticket sales were informed of the correct procedures.

Comment: During our review of cash disbursements, we noted multiple instances of payments being made without a supporting invoice or standard invoice, purchase orders were not done to support standard invoices, and purchase orders being completed and approved after the purchase was already made. We recommend the bookkeeper review the “Purchasing” procedures section, item no. 3 of the “Redbook”, which states before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form F-SA-8).

Response: Bookkeeper has reviewed the “Purchasing” procedures section of the Redbook and will try to make sure all purchases have an approved purchase order and other supporting documents as necessary.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

Comment: During our review of cash disbursements, we noted the Expense Report (Form F-SA-9) was not being used to reimburse expenses. The Bookkeeper should review the "Cash Advances, Travel Reimbursements, and Pay for Services" policy section, item no. 1 of the "Redbook", which states expense reimbursements shall be supported by the Expense Report (Form F-SA-9).

Response: Bookkeeper has reviewed "Cash Advances, Travel Reimbursement, and Pay for Services" policy and will follow the correct procedures.

Comment: During our review of cash disbursements, we noted multiple instances in which a credit card was used without the card being signed out. We recommend the bookkeeper review the "credit cards" policy section, item no. 4 of the "Redbook", which states cards may be checked out to individual employees using Credit Card Sign-In/Out Form (Form F-SA-13).

Response: Bookkeeper has reviewed the Redbook policy regarding credit cards. The procedure will be followed correctly.

Comment: During our review of cash receipts, we had multiple instances where we could not locate the supporting multiple receipt form or pre-numbered receipts to support the money collected. We recommend the Bookkeeper review the "Handling Cash" procedures section, item no. 1 of the "Redbook", which states teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) of pre-numbered receipts when collecting money. A copy of Form-F-SA-6 or a copy of the pre-numbered receipt shall be retained by the teacher/sponsor and the original shall be given to the school treasurer.

Response: Bookkeeper has reviewed "Handling Cash" procedures. The procedure is now in place and being followed.

Comment: During our review of cash receipts, we noted deposit tickets were not being initialed off on. We recommend the Bookkeeper review the "Handling Cash" policy section, item no. 6 of the "Redbook", which states an employee, other than the person preparing the deposit slips, shall verify that the amount on the deposit ticket agrees with the amount of receipts recorded in the ledger sheets and the deposit ticket has been stamped by the bank. KDE has recommended the employee verify they have done this by initialing off on the deposit ticket.

Response: Bookkeeper has reviewed "Handling Cash" procedures. Another employee is verifying the deposit and initialing off on the deposit ticket.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

Mason County Intermediate School

Comment: During our review of accounts payable, we found multiple invoices that were not included on the accounts payable listing at year end, which should have been. The Bookkeeper should review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” which states a listing of accounts payable (Form F-SA-15B) shall accompany the report. An accounts payable is when merchandise or services are received but not paid for at the end of the reporting period.

Response: I have reviewed my end of year reports and will make sure I have the proper dates – seems I did not change the date and did not include accounts payable for the whole month of June. I reviewed the definitions of accounts payable and will try to make sure all year end payables are listed on Form F-SA-15B.

Comment: During our review of transfers, we noted multiple Transfer Forms (F-SA-10) which were not completed correctly. We recommend Bookkeeper review the Transfer Form (F-SA-6) of the “Redbook”, to ensure they are familiar with all items that need to be reported on the form.

Response: I have reviewed Transfers in the “Redbook” and will try to have all Transfers Completed correctly. I will use Form F-SA-10 and enter all transfers in the individual Activity Account Ledger (form SA-12).

Comment: During our review of disbursements, we noted the purchase of non-instructional attendance incentives. The Bookkeeper and Principal should review the “Purchasing” policy section, item no. 4 of the “Redbook”, which states school activity money shall not be used to provide attendance incentives for the compulsory instructional day, unless the incentives are considered instructional.

Response: We have reviewed Purchasing Policy of the “Redbook” and have these type of expenditures.

Straub Elementary

Comment: During our review of cash disbursements, we noted the Expense Report (Form F-SA-9) was not being used to reimburse expenses. The Bookkeeper should review the “Cash Advances, Travel Reimbursements, and Pay for Services” policy section, item no. 1 of the “Redbook”, which states expense reimbursements shall be supported by the Expense Report (Form F-SA-9).

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

Response: I completed reimbursements the way I was trained. The Expense Report says at the bottom, "Must be submitted by close of the next business day after the trip." I never reimbursed any teachers for trips, so I did not believe I was supposed to use this form. The wording at the bottom implies that this form is for trip reimbursements, cash advances, and or services rendered in the form of wages. None of these apply to any reimbursements to teachers at Straub. They were reimbursed for supplies. In the future, any reimbursements made will include the F-SA-9 along with the PO form and the attached receipt, whether it's for travel, wages, allowable supplies, or a student group training fee.

Comment: During our review of accounts payable, we found multiple invoices that were not included on the accounts payable listing at year end, which should have been. The Bookkeeper should review the "Financial Reports" policy section, item no. 1, and the "Definitions" section of the "Redbook," which states a listing of accounts payable (Form F-SA-15B) shall accompany the report. An accounts payable is when merchandise or services are received but not paid for at the end of the reporting period.

Response: Our accounting software "EPES" handles our transactions. I go into system reports to print payable/receivable reports, and there are none, because I do not leave any PO's in accounts payable. I post and print the check the same day I receive the PO. I was not aware that "open PO's" are the same thing as accounts payables; as they are separate reports in EPES. In the future, I will record all open PO's as accounts payables on the proper form for the monthly reports/annual report.

Comment: During our review of cash receipts, we noted multiple Multiple Receipt Forms (F-SA-6) which were not completed correctly. We recommend Bookkeeper review the Multiple Receipt Forms (F-SA-6) of the "Redbook", to ensure they are familiar with all items that need to be reported on the form.

Response: To reduce redundancy, I record the receipt number at the bottom right of the form, along with the corresponding activity fund account number, instead of the top right and top left in the boxes to make it easier to flip through the papers when looking for a particular receipt. I did not write in "Straub" on every form since every form will always be from "Straub". I actually prefer the F-SA-6 to the F-SA-17 for our shirt sales since the larger form gives me room to record check numbers, and is easier to put in a binder than a half sheet—and individual buyers are not required to be listed for the F-SA-17. Care will be taken on future forms to ensure all the required information is listed.

**MASON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

STATUS OF PRIOR YEAR RECOMMENDATIONS

No prior year comments.