

MASON COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2019

Denise M. Keene  
Certified Public Accountant  
P.O. Box 1444  
Georgetown, Kentucky 40324  
859-421-5062

MASON COUNTY BOARD OF EDUCATION  
 TABLE OF CONTENTS

	Pages
<b>Independent Auditor’s Report</b>	4-6
<b>Management’s Discussion and Analysis</b>	7-12
<b>Basic Financial Statements:</b>	
<b>District-wide Financial Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Net Position – Fiduciary Funds	22
Statement of Changes in Net Position – Fiduciary Funds	23
<b>Notes to the Financial Statements</b>	24-56
<b>Required Supplementary Information:</b>	
<b>Budget Comparison:</b>	
Budgetary Comparison Schedule for the General Fund	58
Budgetary Comparison Schedule for Special Revenue	59

MASON COUNTY BOARD OF EDUCATION  
 TABLE OF CONTENTS

	Pages
<b>Schedule of the District’s Proportionate Share of the Net Pension Liability</b>	60
<b>Schedule of the District’s Pension Contributions</b>	61
<b>Schedule of the District’s Proportionate Share of the Net OPEB Liability</b>	62
<b>Schedule of the District’s OPEB Contributions</b>	63
<b>Notes to the Required Supplementary Information</b>	64
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	66
<b>Combining Statements – Fiduciary Funds:</b>	
Combining Statement of Net Position – Fiduciary Funds	67
Combining Statement of Receipts, Disbursements, and Due To Student Groups – Fiduciary Funds	68
<b>Statement of Receipts, Disbursements, and Due to Student Groups Mason County High School</b>	69-70
<b>Schedule of Expenditures of Federal Awards</b>	71-72
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	73
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <u>Government Auditing Standards</u></b>	74-75
<b>Independent Auditor’s Report on Compliance For Each Major Program And on Internal Control Over Compliance Required by Uniform Guidance</b>	76-77
<b>Schedule of Findings and Questioned Costs</b>	78
<b>Schedule of Prior Year Audit Findings</b>	79
<b>Management Letter</b>	80-83

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mason County Board of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board'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; Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note Q to the financial statements, the District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including direct Borrowings and Direct Placements*, effective July 1, 2018. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 57 and 58 and the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 59 and 60 the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 61 and 62 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Mason County High School are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Mason County High School, and the schedule of expenditures of federal awards is the responsibility of management and was 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Mason County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of the Board'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 Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
November 14, 2019

**MASON COUNTY BOARD OF EDUCATION  
MAYSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

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, 2019. 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, including activity funds, for the District was \$5,415,480.  
The ending cash balance, including activity funds, for the District was \$6,442,489.

The General Fund had \$24,036,554 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$24,500,487 in General Fund expenditures. This includes on-behalf payments.

The District participated in the Community Eligibility Provision (CEP) program.  
CEP allows the District to serve breakfast and lunch at no cost to all enrolled students.

The District issued \$4,575,000 in revenue bonds during the year for construction projects.  
The District issued \$8,765,000 in revenue bonds in July 2019 for construction projects.

The District had Capital Funds Request approved for \$469,241. The funds were used for a bus purchase, \$94,060, KISTA bus payment, \$90,696, and construction projects, \$284,485.

Last year, lots of construction began that we are very proud of:

- A new roof and HVAC was completed at Straub.

- An addition to the Bus garage for a security sub station was started.

- A new roof was completed at the Athletic facility and HVAC installed.

- At the auditorium, we upgraded the electrical/sound system, added new lights, tv's and restored old light fixtures.

- Updated a room at STEAM for a security sub station.

- Increased the parking lot at the Youth Service Center.

We purchased the Honda building to replace the old ATC.

We purchased a Special needs bus and 2 used buses.

We received a third FRYSC grant for MCIS and hired a director to oversee it.

All schools began using a living calendar for students, parents and staff to be up to date on all events.

The Reading Mastery program was expanded for K-8 to reach more students.

5th through 8th grades completed the 1 to 1 chromebook take home initiative.

Usage of iReady increased.

The Royal Diploma (personalized learning) process was refined and piloted at all schools.

A new initiative was created for K-12 teachers where all our curriculum structures are in writing in one place called Flipgrid.

## 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.

**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 position 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 position changed during the most recent 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. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 13 and 14 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 proprietary fund is 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 15-23 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 24-56 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 \$3.9 million as of June 30, 2019.

The largest portion of the District's net position reflects its investment in capital assets 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.

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 position for the period ending June 30, 2018 and 2019

2019 District-wide net position compared to 2018 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	2018	2019	2018	2019	2018	2019
Assets	\$32,563	\$37,853	\$418	\$473	\$32,981	\$38,326
Deferred Outflows of Resources	\$3,150	\$2,839	\$476	\$401	\$3,626	\$3,240
Liabilities	\$32,194	\$35,416	\$1,478	\$1,523	\$33,672	\$36,939
Deferred Inflows of Resources	\$843	\$1,336	\$128	\$152	\$971	\$1,488
Investment in capital assets (net of debt)	\$11,432	\$12,813	\$123	\$101	\$11,555	\$12,914
Restricted	861	1,957	(835)	(902)	\$26	1,055
Unrestricted	<u>(9,617)</u>	<u>(10,830)</u>	<u>0</u>	<u>0</u>	<u>(\$9,617)</u>	<u>(10,830)</u>
<b>Total Net Position</b>	\$2,676	\$3,940	(\$712)	(\$801)	\$1,964	\$3,139

### 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 year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$3,406,017 in contingency, which is 16.88 percent.

### Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

**Changes in Net Position (in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>Revenues</b>						
Local Revenue Sources	\$8,821	\$9,136	\$96	\$96	\$8,917	\$9,232
State Revenue Sources	18,588	18,750	295	305	\$18,883	19,055
Federal Revenue Sources	1,914	1,998	1,531	1,575	\$3,445	3,573
Investments	<u>3</u>	<u>6</u>	<u>0</u>	<u>0</u>	\$3	<u>6</u>
<b>Total Revenues</b>	<b>29,326</b>	<b>29,890</b>	<b>1,922</b>	<b>1,976</b>	<b>31,248</b>	<b>31,866</b>
<b>Expenses</b>						
Instruction	18,548	18,381	0	0	18,548	18,381
Student Support Services	1,155	1,118	0	0	1,155	1,118
Instructional Support	925	924	0	0	925	924
District Administration	797	780	0	0	797	780
School Administration	1,495	1,519	0	0	1,495	1,519
Business Support	792	824	0	0	792	824
Plant Operations	2,540	2,737	0	0	2,540	2,737
Student Transportation	1,681	1,551	0	0	1,681	1,551
Other Instruction	91	65	0	0	91	65
Community Support	216	269	0	0	216	269
Food Service	0	0	2,114	2,065	2,114	2,065
Debt Service	<u>383</u>	<u>458</u>	<u>0</u>	<u>0</u>	<u>383</u>	<u>458</u>
<b>Total Expenses</b>	<b>28,623</b>	<b>28,626</b>	<b>2,114</b>	<b>2,065</b>	<b>30,737</b>	<b>30,691</b>
Sale of Assets	(170)	0	(4)	0	(174)	0
<b>Change in Net Position</b>	<b>533</b>	<b>1,264</b>	<b>(196)</b>	<b>(89)</b>	<b>337</b>	<b>1,175</b>
<b>Beginning Net Position</b>	<b>10,912</b>	<b>2,676</b>	<b>(220)</b>	<b>(712)</b>	<b>10,692</b>	<b>1,964</b>
<b>Prior Period Adjustment</b>	<b><u>(8,769)</u></b>	<b><u>0</u></b>	<b><u>(296)</u></b>	<b><u>0</u></b>	<b><u>(9,065)</u></b>	<b><u>0</u></b>
<b>Ending Net Position</b>	<b>\$2,676</b>	<b>\$3,940</b>	<b>(\$712)</b>	<b>(801)</b>	<b>1,964</b>	<b>\$3,139</b>

The government's overall financial position and results of operations increase as a result of the year's operations as reflected in the increase in net position for the year.

**INFRASTRUCTURE**

The District has not reported any infrastructure in the current financial statements.

**Analysis of balances and transactions of individual funds (in thousands)**

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$4,833	\$24,107	\$24,500	\$146	\$4,586
Special Revenue	\$116	\$3,127	\$3,151	\$39	\$131
Capital Outlay	\$5	\$239	\$0	(\$244)	\$0
Building	\$81	\$1,771	\$0	(\$1,839)	\$13
Construction	\$85	\$4,575	\$4,439	\$917	\$1,138
Debt Service	\$0	\$717	\$1,698	\$981	\$0

**Capital Assets and Long-Term Debt Activity (in thousands)**

	Beginning	Additions	Deductions	Ending
<b>Governmental</b>				
Capital Assets	\$51,044	\$5,580	\$1	\$56,623
Accumulated Depreciation	\$24,038	\$1,266	\$1	\$25,303
<b>Business-Type</b>				
Capital Assets	\$457	\$0	\$0	\$457
Accumulated Depreciation	\$334	\$22	\$0	\$356
Bonds Payable	\$14,535	\$4,575	\$1,245	\$17,865
Capital Lease Payable	\$956	\$71	\$493	\$534
Sick Leave Payable	\$377	\$177	\$42	\$512
KSBIT Judgment	\$58	\$0	\$19	\$39

**CURRENT ISSUES**

The District is concerned about the future of pensions for employees.

The District is concerned about future budget demands. There continue to be unfunded mandates from the state.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Rick Ross, or to the Finance Officer, Lisa Moreland, or by mail at P.O. Box 130 Maysville, KY 41056 .

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$5,827,063	\$326,689	\$6,153,752
Accounts receivable	705,474		705,474
Inventory		45,334	45,334
Capital assets			
Land and construction in progress	5,780,728		5,780,728
Other capital assets, net of depreciation	<u>25,539,255</u>	<u>100,791</u>	<u>25,640,046</u>
Total capital assets	<u>31,319,983</u>	<u>100,791</u>	<u>31,420,774</u>
<b>TOTAL ASSETS</b>	<b>\$37,852,520</b>	<b>\$472,814</b>	<b>\$38,325,334</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	\$1,811,191	\$302,725	\$2,113,916
Deferred outflows from OPEB	<u>1,028,098</u>	<u>97,805</u>	<u>1,125,903</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$2,839,289</b>	<b>\$400,530</b>	<b>\$3,239,819</b>
<b>LIABILITIES</b>			
Accounts payable	\$349,805	\$0	\$349,805
Judgments payable	19,319		19,319
Unearned revenue	292,211		292,211
Interest payable	107,119		107,119
Long-term Liabilities			
Due within 1 year	1,670,316		1,670,316
Due in more than 1 year	17,260,799		17,260,799
OPEB liability	8,828,862	343,815	9,172,677
Pension liability	<u>6,887,582</u>	<u>1,179,392</u>	<u>8,066,974</u>
<b>TOTAL LIABILITIES</b>	<b>\$35,416,013</b>	<b>\$1,523,207</b>	<b>\$36,939,220</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	503,683	86,248	589,931
Deferred inflows from OPEB	<u>832,104</u>	<u>65,258</u>	<u>897,362</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,335,787</b>	<b>151,506</b>	<b>1,487,293</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$12,813,398	\$100,791	\$12,914,189
Restricted			
Accrued sick leave	132,937		132,937
Food Service		372,023	372,023
SFCC	12,946		12,946
Other	673,515	(1,274,183)	(600,668)
Future Construction Projects	1,137,590		1,137,590
Unrestricted	<u>(10,830,377)</u>		<u>(10,830,377)</u>
<b>TOTAL NET POSITION</b>	<b>\$3,940,009</b>	<b>(\$801,369)</b>	<b>\$3,138,640</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE  
For the year ended June 30, 2019

FUNCTIONS/PROGRAMS

**Governmental Activities**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Position
Instruction	\$18,381,494	\$19,000	\$2,346,403		(\$16,016,091)		(\$16,016,091)
Support services:							
Student	1,117,529		72		(1,117,457)		(1,117,457)
Instruction staff	924,911		400,160		(524,751)		(524,751)
District administrative	780,044				(780,044)		(780,044)
School administrative	1,518,896				(1,518,896)		(1,518,896)
Business	823,771				(823,771)		(823,771)
Plant operation and maintenance	2,737,399		52,266		(2,685,133)		(2,685,133)
Student transportation	1,550,565	15,154	150		(1,535,261)		(1,535,261)
Other instruction	64,821		64,821		0		0
Community service activities	269,011			(5,930)	(5,930)		(5,930)
Interest on long-term debt	457,632			(304,299)	(304,299)		(304,299)
Total governmental activities	28,626,073	34,154	3,126,953	153,333	(25,311,633)		(25,311,633)

**Business-type Activities**

Food service	2,064,900	95,834	1,880,093			(88,973)	(88,973)
Total business-type activities	2,064,900	95,834	1,880,093			(88,973)	(88,973)
Total school district	\$30,690,973	\$129,988	\$5,007,046	\$153,333	(\$25,311,633)	(\$88,973)	(\$25,400,606)

**General Revenues**

Property taxes	\$6,861,408						\$6,861,408
Motor Vehicle taxes	691,228						691,228
Utility taxes	1,349,711						1,349,711
Other local revenues	20,758						20,758
State aid-formula grants	17,475,657						17,475,657
Federal revenues	171,130						171,130
Investment earnings	5,696					128	5,696
Loss on assets	(173)					0	(173)
Total general & special	26,575,287					128	26,575,415
Change in net positions	1,263,654					(88,845)	1,174,809
Net position - beginning	2,676,355					(712,524)	1,963,831
Net position - ending	\$3,940,009					(\$801,369)	\$3,138,640

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2019

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$4,280,709	\$160,509	\$1,372,899	\$12,946	\$5,827,063
Other receivables	<u>440,591</u>	<u>264,883</u>			<u>705,474</u>
<b>TOTAL ASSETS</b>	<b>\$4,721,300</b>	<b>\$425,392</b>	<b>\$1,372,899</b>	<b>\$12,946</b>	<b>\$6,532,537</b>
<b>LIABILITIES</b>					
Accounts payable	\$111,935	\$2,561	\$235,309		\$349,805
Judgments payable	19,319				19,319
Sick Leave Payable	3,614				3,614
Unearned revenue		<u>292,211</u>			<u>292,211</u>
<b>TOTAL LIABILITIES</b>	<b>134,868</b>	<b>294,772</b>	<b>235,309</b>		<b>664,949</b>
<b>Fund Balances</b>					
<b>Restricted</b>					
SFCC				12,946	12,946
Other		127,691			127,691
Future Construction Projects BG-1			1,137,590		1,137,590
<b>Committed</b>					
Site Based Carryforward	25,000				25,000
Sick Leave Payable	132,937				132,937
<b>Assigned</b>					
Purchase Obligations	117,895	2,929			120,824
Other	400,000				400,000
Unassigned	<u>3,910,600</u>				<u>3,910,600</u>
<b>Total fund balances</b>	<b>4,586,432</b>	<b>130,620</b>	<b>1,137,590</b>	<b>12,946</b>	<b>5,867,588</b>
<b>TOTAL LIABILITIES, AND FUND BALANCE</b>	<b>\$4,721,300</b>	<b>\$425,392</b>	<b>\$1,372,899</b>	<b>\$12,946</b>	<b>\$6,532,537</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2019

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$5,867,588</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		31,319,983
Deferred outflow of resources		2,839,289
Deferred inflow of resources		(1,335,787)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(17,865,000)
	Capital Leases	(534,466)
	KSBIT Judgment	(19,320)
	OPEB Liability	(8,828,862)
	Pension Liability	(6,887,582)
	Accrued Interest on Bonds	(107,119)
	Accumulated Sick Leave	<u>(508,715)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$3,940,009</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2019

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$5,462,432	\$		\$1,398,976	\$6,861,408
Motor vehicle taxes	691,228				691,228
Utility taxes	1,349,711				1,349,711
Earnings on investments	5,568	15			5,583
Other local revenues	54,912	178,544			233,456
Intergovernmental - State	16,301,573	1,121,064		1,327,417	18,750,054
Intergovernmental - Federal	<u>171,130</u>	<u>1,827,330</u>			<u>1,998,460</u>
Total revenues	24,036,554	3,126,953		2,726,393	29,889,900
Expenditures					
Instruction	15,022,187	2,365,379			17,387,566
Support services					
Student	1,091,483	72			1,091,555
Instruction staff	524,751	400,160			924,911
District administration	770,471				770,471
School administration	1,517,712				1,517,712
Business	822,748				822,748
Plant operation and maintenance	2,644,302	52,266			2,696,568
Student transportation	2,059,989	150			2,060,139
Other Instructional		64,821			64,821
Community service activities	5,930	263,081			269,011
Capital Outlay	40,914	5,739	4,439,116		4,485,769
Debt service				<u>1,697,716</u>	<u>1,697,716</u>
Total expenditures	<u>24,500,487</u>	<u>3,151,668</u>	<u>4,439,116</u>	<u>1,697,716</u>	<u>33,788,987</u>
Excess(deficit)of revenues over expenditures	(463,933)	(24,715)	(4,439,116)	1,028,677	(3,899,087)
Other Financing Sources (Uses)					
Sale of equipment	309				309
Capital Lease Proceeds	70,840				70,840
Bond Proceeds			4,575,000		4,575,000
Operating transfers in	184,756	39,248	981,967	981,426	2,187,397
Operating transfers out	<u>(39,248)</u>		<u>(64,886)</u>	<u>(2,083,263)</u>	<u>(2,187,397)</u>
Total other financing sources (uses)	216,657	39,248	5,492,081	(1,101,837)	4,646,149
Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	(247,276)	14,533	1,052,965	(73,160)	747,062
Fund balance, July 1, 2018	<u>4,833,708</u>	<u>116,087</u>	<u>84,625</u>	<u>86,106</u>	<u>5,120,526</u>
Fund balance, June 30, 2019	\$4,586,432	\$130,620	\$1,137,590	\$12,946	\$5,867,588

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2019

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

**Total net change in fund balances - governmental funds** \$747,062

Capital outlays are reported as expenditures in this fund financial  
 statement because they use 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.

Depreciation Expense	(1,265,236)	
Capital Outlay	<u>5,579,579</u>	4,314,343

Loss on disposal of assets		(482)
----------------------------	--	-------

Deferred outflows from pension		(310,737)
--------------------------------	--	-----------

Deferred inflows from pension		(492,748)
-------------------------------	--	-----------

Bond proceeds provide current financial resources to  
 governmental funds, but issuing debt increases long-term  
 liabilities in the statement of net position. Repayment of bond  
 principal is an expenditure in the governmental funds, but the  
 repayment reduces long-term liabilities in the statement of net  
 position.

Repayment of Bond Principal		1,245,000
Repayment of Capital Leases		492,807
Proceeds from Bonds		(4,575,000)
Proceeds from Capital Leases		<u>(70,840)</u>

Generally, expenditures recognized in this fund financial statement  
 are limited to only those that use current financial resources, but  
 expenses are recognized in the statement of activities when they  
 are incurred.

Change in Accrued Interest		(24,235)
Change in Pension Liability		(420,940)
Change in OPEB Liability		490,133
KSBIT liability		19,319
Change in Sick Leave		<u>(150,028)</u>

**Total Change in Net Position - Governmental Activities** \$1,263,654

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2019

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
<b>ASSETS</b>	
Cash and Equivalents	\$326,689
Inventory	45,334
Capital Assets, net of depreciation	<u>100,791</u>
<b>TOTAL ASSETS</b>	<b>\$472,814</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension	\$302,725
Deferred outflows from OPEB	<u>97,805</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$400,530</b>
<b>LIABILITIES</b>	
Unfunded Pension Liability	1,179,392
Unfunded OPEB Liability	<u>343,815</u>
<b>TOTAL LIABILITIES</b>	<b>\$1,523,207</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pension	\$86,248
Deferred inflows from OPEB	<u>65,258</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$151,506</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$100,791
Restricted - Inventory	45,334
Restricted - Pension	(962,915)
Restricted - OPEB	(311,268)
Restricted Net Position	<u>326,689</u>
<b>TOTAL NET POSITION</b>	<b>(\$801,369)</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$95,834
Total Operating Revenues	95,834
OPERATING EXPENSES	
Salaries and wages	1,017,504
Contract services	21,152
Materials and supplies	1,003,801
Other expenses	340
Depreciation	<u>22,103</u>
Total Operating Expenses	2,064,900
Operating income (loss)	(1,969,066)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	1,474,776
Commodities received	100,012
State grants	14,456
State on-behalf payments	290,849
Interest income	<u>128</u>
Non-operating revenues (expenses)	1,880,221
Net income (loss) before Capital Contributions	(88,845)
Increase (decrease) in Net Position	(88,845)
Net Position, July 1, 2018	<u>(712,524)</u>
Net Position, June 30, 2019	(\$801,369)

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2019

Business-Type Activities  
Enterprise Funds  
Food Service  
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$95,834
Cash paid to employees, including benefits	(603,512)
Cash paid to suppliers	<u>(916,827)</u>
Net cash provided by operating activities	(1,424,505)

CASH FLOW FROM NONCAPITAL  
FINANCING ACTIVITIES

Cash received from government funding	1,489,232
---------------------------------------	-----------

CASH FLOW FROM INVESTING ACTIVITIES

Interest income	128
-----------------	-----

Net increase (decrease) in cash	64,855
---------------------------------	--------

Cash and equivalents, July 1, 2018	<u>261,834</u>
------------------------------------	----------------

Cash and equivalents, June 30, 2019	\$326,689
-------------------------------------	-----------

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$1,969,066)

Adjustments to reconcile net income to cash  
provided by operating activities

Depreciation	22,103
On-behalf payments	290,849
Commodities used	100,012
Change in pension expense	144,157
(Increase) Decrease in inventory	<u>(12,560)</u>

Net cash provided by operating activities and increase in cash and equivalents	(\$1,424,505)
---	---------------

**Schedule of Non-Cash Financing Activities**

Donated commodities	\$100,012
On Behalf payments	\$290,849

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2019

	Special Purpose Trust Funds	Agency Fund
ASSETS		
Cash and equivalents	\$20,567	\$288,737
Accounts receivable		<u>697</u>
TOTAL ASSETS	\$20,567	\$289,434
LIABILITIES		
Accounts payable		\$10,817
Due to student groups		<u>278,617</u>
TOTAL LIABILITIES		\$289,434
NET POSITION		
Held in trust for special purpose	\$20,567	
TOTAL NET POSITION	\$20,567	

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
 For The Year Ended June 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Earnings on investments	\$16
TOTAL ADDITIONS	16
DEDUCTIONS	
Community Services	1,362
Change in Net Position	(1,346)
Net Position, July 1, 2018	21,913
Net Position, June 30, 2019	\$20,567

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

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

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 Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Mason County Board of Education. 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. 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:

Mason County School District Finance Corporation (the Corporation) – the Mason County Board of Education has established the Mason County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Mason County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

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

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

The district-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. Nonmajor 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 a 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 changes in total net position. 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 (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund (Fund 2) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

- C. Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) 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.
  3. The Construction Fund (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. 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 Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

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 collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2018, to finance operations were \$.545 per \$100 valuation for real property, \$.548 per \$100 valuation for business personal property and \$.555 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

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 will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans 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.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

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 does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

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. 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 account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

Budgetary Process

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

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.

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, 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.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

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.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 14, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the District. The District issued \$8,765,000 in Revenue Bonds dated July 30, 2019

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

Interfund Activity

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

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2019 were levied on the assessed valuation of property located in the School District as of January 1, 2018 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1- 31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$6,442,489. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2019, consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 4,280,709
Fund 2 & 22		160,509
Fund 310		0
Fund 320		12,946
Fund 360		1,372,899
Fund 51		<u>326,689</u>
Total General Checking Account	6,825,654	6,153,752
Agency Funds	296,916	288,737
Debt Service Funds	<u>0</u>	<u>0</u>
TOTALS	\$ 7,122,570	\$6,442,489
Breakdown per financial statements:		
Governmental Funds		\$ 5,827,063
Proprietary Funds		326,689
Agency Funds		<u>288,737</u>
TOTALS		\$ 6,442,489

**DEPOSITS AND INVESTMENTS**

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2019, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

<b>Governmental Activities</b>	July 1, 2018	Additions	Retirements	June 30, 2019
Land	1,276,725			1,276,725
Land Improvements	4,861,533			4,861,533
Building & Building Improve	35,618,058	858,328		36,476,386
Technology Equipment	4,878,919			4,878,919
Vehicles	3,145,832	194,025		3,339,857
General Equipment	1,263,218	23,223	1,250	1,285,191
Construction in Process	<u>0</u>	<u>4,504,003</u>	<u>0</u>	<u>4,504,003</u>
Totals at historical cost	51,044,285	5,579,579	1,250	56,622,614
Accumulated Depreciation				
Land Improvements	1,259,193	6,083		1,265,276
Building & Building Improve	15,081,632	814,845		15,896,477
Technology Equipment	4,397,446	212,744		4,610,190
Vehicles	2,370,991	189,500		2,560,491
General Equipment	<u>928,901</u>	<u>42,064</u>	<u>768</u>	<u>970,197</u>
Total accumulated depreciation	24,038,163	1,265,236	768	25,302,631
Capital Assets - Net	27,006,122	4,314,343	482	31,319,983
<b>Business-Type Activities</b>				
Technology Equipment	27,802		0	27,802
General Equipment	<u>429,331</u>	<u>0</u>	<u>0</u>	<u>429,331</u>
Totals at historical cost	457,133	0	0	457,133
Accumulated Depreciation				
Technology Equipment	24,478	30		24,508
General Equipment	<u>309,761</u>	<u>22,073</u>	<u>0</u>	<u>331,834</u>
Total accumulated depreciation	334,239	22,103	0	356,342
Capital Assets - Net	122,894	(22,103)	0	100,791

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE D – CAPITAL ASSETS (continued)**

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

Instruction	\$1,009,393
Support Services	
Student	25,974
Instructional Staff	0
District Administration	9,573
School Administration	1,184
Business	1,023
Plant Operations & Maintenance	40,831
Student Transportation	<u>177,258</u>
Total Depreciation - governmental activities	\$1,265,236

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2004	\$ 14,425,000	2.00% - 4.38%
2009	1,450,000	1.50% - 2.00%
2012	9,235,000	1.24% - 2.40%
2013	2,315,000	1.95% - 4.00%
2014	4,540,000	2.00% - 3.25%
2016	1,465,000	2.00% - 3.00%
2018	4,575,000	3.00% - 3.875%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2019.

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 table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The District issue bonds of \$4,575,000 during the year.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	14,535,000	4,575,000	1,245,000	17,865,000	1,305,000
Capital Leases	956,433	70,840	492,807	534,466	361,798
Sick Leave	377,363	176,548	41,582	512,329	3,518
KSBIT Assessment	<u>57,958</u>	<u>0</u>	<u>19,319</u>	<u>38,639</u>	<u>19,319</u>
Totals	15,926,754	4,822,388	1,798,708	18,950,434	1,689,635

The District has no lines of credit.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019, for debt service (principal and interest) are as follows:

Year	Mason County Schools		KY School Construction Commission		
	Principal	Interest	Principal	Interest	Total
2019-20	730,297	369,486	574,703	141,587	1,816,073
2020-21	743,311	353,660	586,689	129,595	1,813,255
2021-22	765,509	336,532	599,491	116,824	1,818,356
2022-23	781,641	318,165	613,359	102,927	1,816,092
2023-24	801,548	298,466	628,452	87,831	1,816,297
2024-25	569,777	270,870	180,223	71,037	1,091,907
2025-26	588,996	254,588	186,004	65,255	1,094,843
2026-27	607,881	237,194	192,119	59,141	1,096,335
2027-28	621,407	220,034	198,593	52,667	1,092,701
2028-29	644,547	202,038	205,453	45,806	1,097,844
2029-30	662,280	183,229	212,720	38,540	1,096,769
2030-31	684,578	163,138	220,422	30,837	1,098,975
3031-32	701,417	142,148	228,583	22,676	1,094,824
3032-33	732,959	120,489	237,041	14,217	1,104,706
3033-34	752,551	96,592	212,449	6,045	1,067,637
3034-35	775,282	72,079	69,718	1,089	918,168
3035-36	475,000	51,300	0	0	526,300
3036-37	345,000	34,500	0	0	379,500
3037-38	360,000	21,281	0	0	381,281
3038-39	<u>375,000</u>	<u>7,265</u>	<u>0</u>	<u>0</u>	<u>382,265</u>
	12,718,981	3,753,054	5,146,019	986,074	22,604,128

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE F – CAPITAL LEASE PAYABLE**

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2020	\$ 373,602
2021	105,394
2022	49,813
2023	24,143
2024	0
Thereafter	<u>0</u>
Total minimum lease payments	\$ 552,952
Less: Amount representing interest	( 18,487)
Present Value of Net Minimum Lease Payments	\$ 534,465

**NOTE G – CONTINGENCIES**

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

**NOTE H – INSURANCE AND RELATED ACTIVITIES**

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

**NOTE I – 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. At June 30, 2019, this amount totaled \$512,329 of which \$132,937 is committed in the current year fund balance of the General Fund.

**NOTE J – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2019, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE K – 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 workers' compensation, errors and omissions, and general liability coverage, the District purchases various commercial insurance.

The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, 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 three fiscal years.

**NOTE L – DEFICIT OPERATING/FUND BALANCES**

Funds with a current year deficit of revenues over expenditures

Fund 1	( 247,276)
Fund 310	( 4,945)
Fund 320	( 68,215)
Fund 51	( 88,845)

**NOTE M – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

**NOTE N – TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS	39,248
COFT	310	1	COFT	94,060
BFFT	320	1	BFFT	90,696
Debt Service	320	400	Bond Payment	981,426
Construction	310	360	COFT	149,998
Construction	320	360	BFFT	134,487
Construction	320	360	Construction	632,596
Construction	360	360	Construction	64,886

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE O – ON-BEHALF PAYMENTS**

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	2,618,142
Life Insurance	4,293
Admin Fees	35,397
Flex Vendors/HRA Humana	151,656
Federal Reimbursement	(172,262)
Technology	100,597
TRS GASB 68	3,598,535
TRS GASB 75	305,291
Debt Service	<u>716,290</u>
Total On-Behalf Payments	7,357,939
Fund 1	6,350,800
Fund 400	716,290
Fund 51	<u>290,849</u>
Total by Fund	7,357,939

**NOTE P – KSBIT JUDGMENT**

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust. The District was assessed \$154,554 for Workers' Compensation. The District has elected to pay 25% by August 31, 2014 and the balance in equal installments for 6 years for the Workers' Compensation.

The following is a schedule by years of the future payments under the agreement.

Year Ending	Amount
<u>June 30.</u>	
2020	\$ 19,319
2021	19,320
2022	0
2023	0
2024	0
Thereafter	<u>0</u>
Total	\$ 38,639

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE Q – GASB 88**

The provisions of GASB 88 were adopted by the District for the fiscal year beginning July 1, 2018. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

**NOTE R – RETIREMENT PLANS**

	Government	Food Service	Total
Deferred Outflows			
CERS Pension Contributions	474,095	73,768	547,863
CERS Pension	1,337,096	228,957	1,566,053
CERS OPEB Contributions	153,745	23,922	177,667
CERS OPEB	431,470	73,883	505,353
TRS OBEB contributions	348,883	0	348,883
TRS OPEB	<u>94,000</u>	<u>0</u>	<u>94,000</u>
	2,839,289	400,530	3,239,819
Deferred Inflows			
CERS Pension	503,683	86,248	589,931
CERS OPEB	381,104	65,258	446,362
TRS OPEB	<u>451,000</u>	<u>0</u>	<u>451,000</u>
	1,335,787	151,506	1,487,293
Pension Liability			
CERS	6,887,582	1,179,392	8,066,974
OPEB Liability			
CERS	2,007,862	343,815	2,351,677
TRS	<u>6,821,000</u>	<u>0</u>	<u>6,821,000</u>
	8,828,862	343,815	9,172,677
Pension Expense			
CERS	1,140,222	195,245	1,335,467
OPEB Expense			
CERS	260,931	44,680	305,611
TRS	<u>767,000</u>	<u>0</u>	<u>767,000</u>
	1,027,931	44,680	1,072,611

**NOTE R – RETIREMENT PLANS (continued)**

**Teachers' Retirement System of the State of Kentucky (TRS)**

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

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

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

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

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

**Medical Insurance Plan**

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

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three and three quarter percent (3.75%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 49,664,008</u>
---	----------------------

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.3793 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$3,598,535 and revenue of \$3,598,535 for support provided by the State on the Fund financial statements.

*Actuarial assumptions* – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	7.50%

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	100.0%	

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

*Discount rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount assumed that plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability	\$63,660,351	\$49,664,008	\$37,887,956

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report. June 30, 2017 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2018 using standard roll forward techniques for the TPL using a discount rate of 7.50%. An expected TPL was also determined using the prior year discount rate of 4.49%, which was based on a municipal bond index rate of 3.56%. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between these two roll-forward amounts as of June 30, 2018 is the gain or loss due to changes in assumptions and other inputs.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2015 for the fiscal year 2018 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29.3 years
Asset valuation method	5*year smoothed market
Inflation	3.50 percent
Salary increase	4.00 to 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

The Total OPEB Liability (TOL) as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2017, using the following actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	8.00%
LIF	7.50%
Municipal Bond Index Rate	3.89%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price	
Inflation	
MIF	8.00%
LIF	7.50%
MIF Health Care Cost Trends	
Under Age 65	7.75% for FYE 2018 decreasing to an Ultimate rate of 5.00% by FYE 2023
Ages 65 and Older	5.75% for FYE 2018 decreasing to an Ultimate rate of 5.00% by FYE 2020
Medicare Part B Premiums	1.02% for FYE 2018 with an ultimate Rate of 5.00% by 2029

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan’s NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$5,656,000	\$6,821,000	\$8,258,000

MIF Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2018 was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2017. In addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%

The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves in all years except in Fiscal Year 2020. If these costs are not paid by the State or the retirees themselves and are instead paid by the Fund for all future years, we have calculated that the FNP would be projected to be depleted in 2040 and an SEIR of 4.88% would need to be used in the determination of the TOL as of the Measurement Date.

As administrative expenses, other than the administrative fee of \$7.44 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.

Cash flows occur mid-year.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

Future contribution to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

- Employee contributions
- School District/University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the MIF's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675 (4)(b).

In developing the adjustments to the statutory contributions in future years, the following was assumed:

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.

- For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

The MIF's FNP was not projected to be depleted.

LIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. In addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the LIF's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%

- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

- As administrative expenses were assumed to be paid in all years by the employer as the come due they were not considered.

- Active employees do not explicitly contribute to the plan.

- Cash flows occur mid-year.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

Based on these assumptions, the LIF's FNP was not projected to be depleted.

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2115.

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

<u>Asset Class</u>	<u>MIF</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
	Target <u>Allocation</u>	
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories *	20.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	0.9%
Total	100.0%	

<u>Asset Class</u>	<u>LIF</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
	Target <u>Allocation</u>	
U.S. Equity	40.00%	4.20%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Other Additional Categories	6.00%	3.30%
Cash (LIBOR)	<u>2.00%</u>	0.90%
Total	100.00%	

There is no LIF Net OPEB Liability.

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$340,000, the state contributed \$427,000 on behalf of the District for a total OPEB expense of \$767,000.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be recognized in Fiscal Years Ending	
	Deferred Outflows/ (Inflows) of Resources
	MIF
2020	\$(71,000)
2021	\$(71,000)
2022	\$(71,000)
2023	\$(59,000)
2024	\$(61,000)
thereafter	\$(24,000)

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in PEEHIP.

**KENTUCKY RETIREMENT SYSTEM**

**County Employees Retirement System (CERS)**

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

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. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 21.48% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was .0.132456%.

For the year ended June 30, 2019, the District recognized pension expense of \$1,335,467. At June 30, 2019, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$547,863, deferred outflows of resources from change of assumptions and expectations of \$1,566,053, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$589,931.

District contributions subsequent to the measurement date of \$547,863 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

	Deferred
<u>Year</u>	Outflows (Inflows)
2020	\$ 719,134
2021	373,304
2022	(73,018)
2023	( 43,298)
2024	<u>0</u>
	<u>\$ 976,122</u>

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, closed
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00% average
Investment Rate of Return	7.50%,
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The long-term expected return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
Non U.S. Equity	17.50%	
Global Bonds	10.00%	3.00%
Credit Fixed	17.00%	
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Private Equity	10.00%	6.50%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
	<u>100.0%</u>	

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2019, is based on the June 30, 2017, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 10,155,485	\$ 8,066,974	\$ 6,317,168

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2019 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

**NOTE R – RETIREMENT PLANS (continued)**

**OPEB**

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2017.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

The long-term expected return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
Non U.S. Equity	17.50%	
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Private Equity	10.00%	6.50%
Real Return	10.00%	7.00%
Cash	<u>2.00%</u>	1.50%
	<u>100.0%</u>	

Discount Rate: The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, an a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index", as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

The District's proportionate share of the Net OPEB Liability as of June 30, 2018 is \$2,351,677. The District's proportionate share is 0.132453%. The District's proportionate share of the OPEB expense is \$305,611. The total Deferred Outflows of Resources is \$505,353 and the total Deferred Inflows of Resources is \$446,362. Total employer contributions were \$154,299, implicit subsidy was \$28,067 for a total contributions of \$182,366.

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.85%	5.85%	6.85%
Net OPEB Liability	3,054,451	2,351,677	1,753,041

	Healthcare Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
Net OPEB Liability	1,750,847	2,351,677	3,059,882

The following actuarial methods and assumptions, for actuarially determined contributions effective for the fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00% average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years,
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years,

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2019

**NOTE R – RETIREMENT PLANS (continued)**

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending

	Deferred Outflows/ (Inflows) of Resources MIF
2020	\$13,962
2021	\$13,962
2022	\$13,962
2023	\$45,422
2024	\$(14,855)
thereafter	<u>\$(13,462)</u>
Total	\$58,991

SUPPLEMENTARY INFORMATION

MASON COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	7,535,455	7,535,455	7,503,371	(32,084)
Other Local Sources	45,500	45,500	60,480	14,980
State Sources	10,001,266	10,001,266	16,301,573	6,300,307
Federal Returned	<u>160,000</u>	<u>160,000</u>	<u>171,130</u>	<u>11,130</u>
<b>TOTAL REVENUES</b>	<b>17,742,221</b>	<b>17,742,221</b>	<b>24,036,554</b>	<b>6,294,333</b>
<b>EXPENDITURES</b>				
Instruction	10,831,975	10,827,564	15,022,187	(4,194,623)
Support Services				
Student	765,540	765,540	1,091,483	(325,943)
Instructional Staff	401,399	401,399	524,751	(123,352)
District Administration	715,540	702,562	770,471	(67,909)
School Administration	1,017,678	1,017,678	1,517,712	(500,034)
Business	625,829	630,240	822,748	(192,508)
Plant Operation and Maintenance	2,368,655	2,378,048	2,644,302	(266,254)
Student Transportation	1,887,278	1,890,863	2,059,989	(169,126)
Community Services	7,984	7,984	5,930	2,054
Capital Outlay	0	0	40,914	(40,914)
Contingency	<u>3,406,017</u>	<u>3,406,017</u>		<u>3,406,017</u>
<b>TOTAL EXPENDITURES</b>	<b>22,027,895</b>	<b>22,027,895</b>	<b>24,500,487</b>	<b>(2,472,592)</b>
Excess (Deficit) of Revenues Over Expenditures	(4,285,674)	(4,285,674)	(463,933)	3,821,741
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	3,000	3,000	309	(2,691)
Capital Lease Proceeds	0	0	70,840	70,840
Operating Transfers In	0	0	184,756	184,756
Operating Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(39,248)</u>	<u>10,752</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(47,000)</b>	<b>(47,000)</b>	<b>216,657</b>	<b>263,657</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(4,332,674)	(4,332,674)	(247,276)	4,085,398
Fund Balance, July 1, 2018	<u>4,332,674</u>	<u>4,332,674</u>	<u>4,833,708</u>	<u>501,034</u>
Fund Balance, June 30, 2019	\$0	\$0	\$4,586,432	\$4,586,432

On Behalf payments of \$6,350,800 are included in the actual amounts.

On Behalf amounts are not included in the budget amounts.

MASON COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
State Sources	\$1,077,560	\$1,085,571	\$1,121,064	35,493
Federal Sources	1,803,456	1,815,323	1,827,330	12,007
Local Sources	<u>0</u>	<u>109,732</u>	<u>178,559</u>	<u>68,827</u>
<b>TOTAL REVENUES</b>	<b>2,881,016</b>	<b>3,010,626</b>	<b>3,126,953</b>	<b>116,327</b>
<b>EXPENDITURES</b>				
Instruction	2,177,004	2,298,603	2,365,379	(66,776)
Support Services				
Student			72	(72)
Instructional Staff	382,258	382,258	400,160	(17,902)
Plant Operations & Maintenance	67,364	65,585	52,266	13,319
Student Transportation	0	0	150	(150)
Other Instructional	57,986	66,471	64,821	1,650
Building Improvements	0	0	5,739	(5,739)
Community Service Operations	<u>237,132</u>	<u>236,957</u>	<u>263,081</u>	<u>(26,124)</u>
<b>TOTAL EXPENDITURES</b>	<b>2,921,744</b>	<b>3,049,874</b>	<b>3,151,668</b>	<b>(101,794)</b>
Excess (Deficit) of Revenues Over Expenditures	(40,728)	(39,248)	(24,715)	14,533
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	39,248	39,248	39,248	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>39,248</b>	<b>39,248</b>	<b>39,248</b>	<b>0</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,480)	0	14,533	14,533
Restricted Fund Balance, July 1, 2018	<u>0</u>	<u>(42,776)</u>	<u>116,087</u>	<u>158,863</u>
Restricted Fund Balance, June 30, 2019	\$0	(\$42,776)	\$130,620	\$173,396

MASON COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
For The Year Ended June 30, 2019

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)					
TRS	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$8,066,974</u>	<u>\$7,566,863</u>	<u>\$6,335,478</u>	<u>\$5,476,878</u>	<u>\$4,353,759</u>
Total	\$8,066,974	\$7,566,863	\$6,335,478	\$5,476,878	\$4,353,759
District's proportionate share of the net pension liability (asset)					
TRS	0	0	0	0	0
CERS	0.132456%	0.129279%	0.12868%	0.12738%	0.134194%
State's proportionate share of the net pension liability (asset) associated with the District					
TRS	\$49,664,008	\$101,226,844	\$110,380,849	\$92,580,483	\$80,999,928
District's covered employee payroll					
TRS	\$12,092,278	\$11,772,378	\$11,715,920	\$11,715,920	\$11,466,263
CERS	\$3,284,849	\$3,150,350	\$3,104,763	\$3,104,763	\$2,958,220
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll					
TRS	0	0	0	0	0
CERS	245.58%	240.19%	204.06%	176.40%	147.18%
Plan fiduciary net position as a percentage of the total pension liability					
TRS	59.28%	39.83%	35.22%	42.49%	45.59%
CERS	53.54%	53.30%	55.50%	59.97%	66.80%

Note: The schedule is intended to show information for the last 10 fiscal years.  
Additional years will be displayed as they become available.

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
 For The Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Contractually required contributions					
TRS	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$475,365</u>	<u>\$439,080</u>	<u>\$365,574</u>	<u>\$380,323</u>	<u>\$581,552</u>
Total	\$475,365	\$439,080	\$365,574	\$380,323	\$581,552
Contributions in relation to the contractually required contribution					
TRS	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$475,365</u>	<u>\$439,080</u>	<u>\$365,574</u>	<u>\$380,323</u>	<u>\$581,552</u>
Total	\$475,365	\$439,080	\$365,574	\$380,323	\$581,552
Contribution deficiency (excess)					
TRS	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0	\$0
District's covered employee payroll					
TRS	\$12,092,278	\$11,772,378	\$11,715,920	\$11,715,920	\$11,466,263
CERS	<u>\$3,284,849</u>	<u>\$3,150,350</u>	<u>\$3,104,763</u>	<u>\$3,104,763</u>	<u>\$2,958,220</u>
Total	\$15,377,127	\$14,922,728	\$14,820,683	\$14,820,683	\$14,424,483
Contributions as a percentage of covered employee payroll					
TRS	0.00%	0.00%	0.00%	0.00%	0.00%
CERS	14.47%	13.93%	11.60%	12.25%	19.66%

Note: The schedule is intended to show information for the last 10 fiscal years.  
 Additional years will be displayed as they become available.

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 For The Year Ended June 30, 2019

	2019	2018
District's proportion of the net OPEB liability (asset)		
CERS	\$2,351,677	\$2,598,870
TRS - Medical Insurance	\$8,258,000	\$7,098,000
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$10,609,677	\$9,696,870
District's proportionate share of the net OPEB liability (asset)		
CERS	0.132453%	0.129275%
TRS - Medical Insurance	0.196590%	0.199046%
TRS - Life Insurance	0.000000%	0.000000%
Total		
State's proportionate share of the net OPEB liability (asset) associated with the District		
TRS - Medical Insurance	\$5,878,000	\$5,798,000
TRS - Life Insurance	<u>\$101,000</u>	<u>\$78,000</u>
Total	\$5,979,000	\$5,876,000
District's covered employee payroll		
TRS	\$12,092,278	\$11,772,378
CERS	\$3,284,849	\$3,150,350
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll		
CERS	71.59%	82.49%
TRS - Medical Insurance	56.41%	60.29%
TRS - Life Insurance	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability		
CERS	57.62%	52.40%
TRS - Medical Insurance	25.54%	21.18%
TRS - Life Insurance	74.97%	79.99%

Note: The schedule is intended to show information for the last 10 fiscal years.  
 Additional years will be displayed as they become available.

MASON SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
 For The Year Ended June 30, 2019

	2019	2018
Contractually required contributions		
CERS	\$182,366	\$165,185
TRS - Medical Insurance	\$350,188	\$341,021
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$532,554	\$506,206
Contributions in relation to the contractually required contribution		
CERS	\$182,366	\$165,185
TRS - Medical Insurance	\$350,188	\$341,021
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$532,554	\$506,206
Contribution deficiency (excess)		
CERS	\$0	\$0
TRS - Medical Insurance	\$0	\$0
TRS - Life Insurance	\$0	<u>\$0</u>
Total	\$0	\$0
District's covered employee payroll		
TRS	\$12,092,278	\$11,772,378
CERS	<u>\$3,284,849</u>	<u>\$3,150,350</u>
Total	\$15,377,127	\$14,922,728
Contributions as a percentage of covered employee payroll		
TRS	2.90%	2.90%
CERS	5.55%	5.24%

Note: The schedule is intended to show information for the last 10 fiscal years.  
 Additional years will be displayed as they become available.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2019

**PENSIONS**

**Changes of benefit terms**

TRS - none

CERS -none

**Changes of assumptions**

**TRS**

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR), resulted in an assumption change from 5.16% to 5.23%

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR), resulted in an assumption change from 5.23% to 4.88%.

In the 2016 valuation, rates of withdrawal, retirement, disability and morality were adjusted to more closely reflect actual experience.

In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease.

In 2016, the calculation of the Single Equivalent Interest Rate (SEIR), resulted in an assumption change from 4.88% to 4.20%.

In 2017 the calculation of the Single Equivalent Interest Rate (SEIR), resulted in an assumption change from 4.20% to 4.49%.

In 2018 the calculation of the Single Equivalent Interest Rate (SEIR), resulted in an assumption change from 4.49% to 7.50%.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

**CERS**

None since June 30, 2017.

**OPEB**

**Changes of benefit terms**

**TRS**

The following change was made to the assumptions as noted:

June 30, 2018 (Valuation Date: June 30, 2017)

**MIF**

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored.

LIF - None

CERS - none

**Changes of assumptions**

TRS - none

CERS

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system now pay 100% of the insurance for spouses and children of all active members who die in the line of duty.

MASON COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2019

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total
<b>ASSETS AND RESOURCES</b>				
Cash and equivalents	\$0	\$12,946	\$0	\$12,946
<b>TOTAL ASSETS AND RESOURCES</b>	<b>\$0</b>	<b>\$12,946</b>	<b>\$0</b>	<b>\$12,946</b>
<b>FUND BALANCES</b>				
Restricted - SFCC - Current	<u>\$0</u>	<u>\$12,946</u>	<u>\$0</u>	<u>\$12,946</u>
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>12,946</b>	<b>0</b>	<b>12,946</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>				
	<b>\$0</b>	<b>\$12,946</b>	<b>\$0</b>	<b>\$12,946</b>

MASON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2019

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total
<b>REVENUES</b>				
From local sources				
Property taxes	\$0	\$1,398,976	\$0	\$1,398,976
Intergovernmental-State	<u>239,113</u>	<u>372,014</u>	<u>716,290</u>	<u>1,327,417</u>
<b>TOTAL REVENUES</b>	239,113	1,770,990	716,290	2,726,393
<b>EXPENDITURES</b>				
Debt Service			<u>1,697,716</u>	<u>1,697,716</u>
<b>TOTAL EXPENDITURES</b>			1,697,716	1,697,716
Excess (deficit) revenues over expenditures	239,113	1,770,990	(981,426)	1,028,677
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			981,426	981,426
Operating transfers out	<u>(244,058)</u>	<u>(1,839,205)</u>	<u>          </u>	<u>(2,083,263)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(244,058)	(1,839,205)	981,426	(1,101,837)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	(4,945)	(68,215)	0	(73,160)
Restricted Fund Balance, July 1, 2018	<u>4,945</u>	<u>81,161</u>	<u>0</u>	<u>86,106</u>
Restricted Fund Balance, June 30, 2019	\$0	\$12,946	\$0	\$12,946

MASON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2019

	Mason County High School	Mason County Middle School	Mason County Intermediate School	Straub Elementary School	Total
<b>ASSETS</b>					
Cash and equivalents	\$204,459	\$54,846	\$8,592	\$20,840	\$288,737
Accounts receivable	<u>0</u>	<u>0</u>	<u>473</u>	<u>224</u>	<u>697</u>
<b>TOTAL ASSETS</b>	<b>\$204,459</b>	<b>\$54,846</b>	<b>\$9,065</b>	<b>\$21,064</b>	<b>\$289,434</b>
<b>LIABILITIES</b>					
Accounts payable	\$10,681	\$0	\$0	\$136	\$10,817
Due to student groups	<u>193,778</u>	<u>54,846</u>	<u>9,065</u>	<u>20,928</u>	<u>278,617</u>
<b>TOTAL LIABILITIES</b>	<b>\$204,459</b>	<b>\$54,846</b>	<b>\$9,065</b>	<b>\$21,064</b>	<b>\$289,434</b>

MASON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2019

	Cash Balances			Cash Balances	Accounts	Accounts	Due To
	July 1, 2018	Receipts	Disbursement	June 30, 2019	Receivable	Payable	Student Groups
				June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Mason County High School	\$168,191	\$833,245	\$796,977	\$204,459	\$0	\$10,681	\$193,778
Mason County Middle School	\$67,180	\$228,160	\$240,494	\$54,846	\$0	\$0	\$54,846
Mason County Intermediate School	\$12,655	\$67,090	\$71,153	\$8,592	\$473	\$0	\$9,065
Straub Elementary School	<u>\$23,216</u>	<u>\$62,366</u>	<u>\$64,742</u>	<u>\$20,840</u>	<u>\$224</u>	<u>\$136</u>	<u>\$20,928</u>
TOTAL ACTIVITY FUNDS	\$271,242	\$1,190,861	\$1,173,366	\$288,737	\$697	\$10,817	\$278,617

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
MASON COUNTY HIGH SCHOOL  
For The Year Ended June 30, 2019

	Cash Balances				Cash Balances	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
General	1,252	\$5,146	\$6,182	\$5,139	\$5,355	\$0	\$676	\$4,679
Project Graduation	2,998	2,350	4,973		375		102	273
Y Club	156	2,690	2,955	200	91			91
Boys Soccer	4,032	16,873	20,123	898	1,680			1,680
Boys Basketball	1,107	28,633	20,691	(228)	8,821		912	7,909
Baseball	3,228	10,590	10,425		3,393		91	3,302
Baseball 39th District	269	355	200		424			424
Academic Team	25		48	40	17			17
Fast Pitch Softball	2,033	7,381	6,635		2,779		24	2,755
10th Region Boys	100				100			100
AP Exams	0	10,424	10,382		42			42
Student Activities	2,128		3,319	6,567	5,376			5,376
Dance Team	308				308			308
Golf-Boys	1,915	7,645	5,855	(2,495)	1,210			1,210
Golf Tournament	250				250			250
Red Cross	41	40	107		(26)		67	(93)
Girl's Golf	448	205	458	(75)	120			120
PSAT	443	480	316		607			607
Archery	2	43,251	25,658	(2,300)	15,295			15,295
Archery Sponsor	1,000	2,000	2,570		430		161	269
Staff Vending	2,638	2,183	2,036		2,785			2,785
Bus Trips	29				29			29
PTSO	171				171			171
Girl's Basketball	3,310	18,198	19,570	(337)	1,601		383	1,218
Pee Wee Basketball	125	0	0	0	125			125
Volleyball	4,162	4,274	1,845	(420)	6,171		1726	4,445
IPAD Help Desk STLP	2,551	5,481	3,044	(2,902)	2,086			2,086
Art Club	33	3,816	3,327	(300)	222		457	(235)
Volunteer Connection	521		392	(129)	0			0
Spanish Club	1,106	355	1,258	49	252			252
Literary Magazine	61				61			61
Athletic	10,250	79,968	81,700	9,724	18,242		2,510	15,732
Girls Regional	100				100			100
Girls Golf Tournament	450				450			450
Tennis	895	1,256	1,654	110	607			607
Swim Team	200		125		75			75
Athletic - Uniforms	2,861			964	3,825			3,825
Band Scholarship	41				41			41
Band Boosters	3,222	18,379	22,685	1,878	794		94	700
Jazz Band	703	4,851	702		4,852			4,852
Music Honor Society	0	96			96			96
MS Band	0	537			537			537
Physics & Aviation	0	2,000	1,486		514			514
Biomedical	3	36			39			39
HOSA	890	5,193	5,941		142			142
MCHS Robotics	5	1,078		(1,078)	5			5
10th Region Boys BB	0	52,975	46,255	(6,720)	0			0
39th District Basketball	0	17,691	12,935	(4,756)	0			0
Beta Club	251	3,279	3,136	80	474			474
STLP	261				261			261
Special Needs Students	608	60			668			668
Royal Icing Bakery	14				14			14
Students Needs	1,349				1,349			1,349
Special Ed	0	732			732			732
Cheerleaders	381	29,667	29,674	3,675	4,049			4,049
Concessions-FB-SC	31	11,105	9,150	(1,485)	501			501
Concessions B/G BB	895	57,988	35,040	(23,343)	500			500
Fellowship of Christian	138				138			138
Football	2,616	16,945	17,219	(387)	1,955		75	1,880
Football Capital	9				9			9
Knights FB	4,779	3,470	5,861		2,388			2,388
Future Farmers of America	3,216	45,042	45,419	250	3,089			3,089
FFA Greenhouse	4,569	3,691	4,502	40	3,798			3,798

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
MASON COUNTY HIGH SCHOOL  
For The Year Ended June 30, 2019

	Cash Balances				Cash Balances	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
AG Shop	1,594	880	2,292		182			182
Relay for Life	0	852	3,791	2,939	0			0
FCCLA	763	61,377	62,436	(6,964)	(7,260)		282	(7,542)
Science Club	759	1,667	1,475	160	1,111		1111	0
Health Fair	106				106			106
FCCLA-Region 9	0	1,912	997	(420)	495			495
FCCLA National Meeting	163	759	5,786	4,864	0			0
Practical Living	63	2,933	5,879	2,883	0			0
Culinary Trips	0	425	347		78		57	21
John Gifford Fund	458		493	35	0			0
Special Ed Field Trips	9				9			9
Hiking Club	61				61			61
F.E.A.	41				41			41
Interest	143	220			363			363
Yearbook	4,393	4,386	4,131		4,648			4,648
Newspaper	28				28			28
Library	184	250			434			434
M. C. Athletic Boosters	6				6			6
Music Chorale Travel	1,780	300			2,080			2,080
Music Chior	360	195	390		165			165
Music Orchestra	4,088	17,080	11,849		9,319			9,319
Music Patrons & Boosters	5,951	2,660	120	(2,500)	5,991			5,991
Music Scholarship	4,507	1,581	2,400		3,688			3,688
Music Production	23,837	20,676	26,520	(10,000)	7,993		123	7,870
Music Tux & Dress	3,989	1,480	800	73	4,742			4,742
National Honor Society	488	575	362		701			701
TSA	1,098	5,296	4,458	(1,641)	295		720	(425)
Tech. Ed. Projects Club	413	771	2,602	2,446	1,028		392	636
Floor Project	80				80			80
ROTC	5,459	9,750	8,127	750	7,832		142	7,690
Class of 2017	0				0			0
Ski & Board Club	0				0			0
Hantis Club	14				14			14
Music Travel	4,635	17,342	5,564	2,750	19,163			19,163
AP Enviromental Science	704	830	1,534		0			0
Soccer-Girls	3,968	3,534	2,639	(1,312)	3,551			3,551
Cross Country	1,745	24,208	24,264	684	2,373			2,373
Track & Field	9,970	34,804	26,363	(3,072)	15,339		528	14,811
ACT Prep	8				8			8
District Fund	0	28,432	27,909	557	1,080			1,080
Class of 2018	1,260			(1,260)	0			0
District Music	0		10,000	10,000	0			0
District FFA	0	11,064	11,000		64			64
Class of 2019	1,975		-104		2,079			2,079
Class 2020	4,945	10,667	10,626	(600)	4,386		48	4,338
Class of 2021	274	437	163	(40)	508			508
Clss of 2022	0	25		1,259	1,284			1,284
Senior Trip	560	720	1,240	(40)	0			0
Harlem Globetrotters	0	14,330	10,830	(3,500)	0			0
District Athletics	2,133	<u>22,418</u>	<u>43,841</u>	<u>19,290</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	168,191	\$833,245	\$796,977	\$0	\$204,459	\$0	\$10,681	\$193,778

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2019

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 18	\$174,578
National School Lunch Program	10.555	7750002 19	791,025
Commodities	10.555	not provided	100,012
School Breakfast Program	10.553	7760005 18	100,222
School Breakfast Program	10.553	7760005 19	<u>408,951</u>
Total Child Nutrition Cluster			1,574,788
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,574,788
 <b><u>U.S. Department of Education</u></b>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 18	947,048
Title I Grants to Local Educational Agencies	84.010	3100002 17	<u>114,467</u>
		subtotal	1,061,515
 Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 18	476,825
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 17	71,328
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 16	12,377
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 18	<u>45,189</u>
		subtotal	605,719

The accompanying notes are an integral part of this schedule

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2019

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Career and Technical Education	84.048	3710002 17	2,668
Career and Technical Education	84.048	3710002 18	<u>29,630</u>
		subtotal	32,298
Improving Teacher Quality State Grants	84.367	3230002 18	63,913
Improving Teacher Quality State Grants	84.367	3230002 17	<u>538</u>
		subtotal	64,451
Title VI Rural Education	84.358	3140002	<u>63,008</u>
		subtotal	63,008
TOTAL U.S. DEPARTMENT OF EDUCATION			1,826,991
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$3,401,779

The accompanying notes are an integral part of this schedule

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2019

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$100,012.

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

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

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

We have audited, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mason County Board of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 14, 2019.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the District in a separate letter dated November 14, 2019.

### **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.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
November 14, 2019

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

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

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

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

We have audited Mason County School District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the 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, 2019.

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

Management of the Mason County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
November 14, 2019

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For The Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not  
 considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not  
 Considered to be material weakness(es)?  yes  none reported

An unmodified opinion was issued on compliance for all major programs.

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

Identification of major programs

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

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

Auditee qualified as low-risk auditee?  yes  no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None Reported

MASON COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2019

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

Mason County Board of Education  
Maysville, Kentucky

We have audited the financial statements of the Mason County School District for the year ended June 30, 2019 and have issued our report thereon dated November 14, 2019. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Mason County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Mason County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: ALL.

The following were not corrected: none..

*Denise M. Keene, CPA*  
November 14, 2019

## **CURRENT YEAR MANAGEMENT POINTS**

2019-001

According to Procedure 03.225 AP.2 "Travel expense forms can be found as Procedures coded 03.125 AP.2/I-OWN Plan, 03.125 AP.21/Conference Application and 03.125 AP.22/Expense Forms. These forms are to be used by Board members, certified personnel, and classified personnel."

Three (3) out of six reimbursements to the Superintendent were not signed by a board member, and they were not approved at the board meeting.

I recommend the board approve the Superintendent's reimbursements and have a board member sign the form.

Management's Response:

From this point forward, any Superintendent reimbursements that are to be entered for payment by the AP clerk will be given back to the Administrative Assistant to be signed and approved by the board prior to printing the check.

## **MASON COUNTY HIGH SCHOOL**

2019-002

According to the Redbook, "Individual school activity accounts and the school activity fund bank account as a whole shall not end the fiscal year with a negative balance.

There were four (4) individual school activity accounts that ended in a negative balance.

I recommend the Principal remind all sponsors that the accounts cannot end in a negative balance when taking into consideration accounts receivable and accounts payable.

Management's Response:

Principal will address staff to ensure activity accounts hold a positive balance.

Bookkeeper will inform principal if any account goes into the red and it will be handled immediately. Bookkeeper will work with sponsors to ensure there are no negative balances on June 30<sup>th</sup>.

2019-003

There were a few problems with Transfers during the year. There were 2 transfers on Form 88. The second transfer for \$77.83 was not recorded. Culinary Trips owes FCCLA \$77.83. Transfer number 17 and 18 are not correct. \$589.14 should have been transferred from John Gifford Fund to Relay, as a result of the two transfers only \$5.00 was transferred. I recommend putting only one transfer on each form and sponsors should be monitoring their accounts to assure transfers are done correctly.

Management's Response:

We will take care of the Culinary to FCCLA transfer noted above. Moving forward, bookkeeper will allow only one transfer per form. Bookkeeper will inform sponsors of current balance at least once per month.

2019-004

According to the Redbook, "Teachers, sponsors or students shall use the Multiple Receipt Form or pre-numbered receipts when collecting money." Teachers are not completing the multiple receipt forms correctly. Multiple Receipt Forms are not matching the amounts turned in. There are over/shorts with no explanation.

Management's Response:

Principal will train staff to ensure that collected money matches documented money on the Multiple Receipt form. Bookkeeper will document any discrepancies and discrepancy will be communicated with sponsor.

2019-005

There were a couple of different problems with Winter Shoot Out. Receipt number 24567 had \$1650.00 in cash turned in without explanation. If this was from ticket sales, a ticket sale form should have been completed. If it was from concessions a Concession Form should have been completed. The receipt from February 2, 2019 for the Winter Shoot Out was not turned in until February 25, 2019. The deposit was \$2,055.00. This should have been turned in on the next school day. I recommend someone monitor events to assure money is turned in timely.

Management's Response:

Principal will communicate to all coaches, sponsors and staff that all collected money should be turned in the day it is collected (or put in the school safe to be entered the next school day). Bookkeeper will inform principal if funds are being held.

### **MASON COUNTY MIDDLE SCHOOL**

No comments

### **MASON COUNTY INTERMEDIATE SCHOOL**

2019-006

According to the Redbook, "Pre-numbered tickets shall be used with ALL events for which admission is charged." The school had a valentine dance where admission was charged, but tickets were not used. Money was collected on a Multiple Receipt Form. I recommend the school use tickets as required when admission is charged.

Management's Response:

The Assistant Principal will speak to the staff and make them aware of that in the future for after school dances the sponsors will use pre-numbered tickets along with filling out the report of ticket sales and multiple receipt form for each daily collection.

### **STRAUB ELEMENTARY SCHOOL**

No Comments