MASON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2025

Mason County School District
Table of Contents
June 30, 2025

Independent Auditor's Report **1-3**

Management's Discussion and Analysis **4-8**

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position 9

Statement of Activities 10

Fund Financial Statements

Balance Sheet – Governmental Funds 11

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 12

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 13

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities 14

Statement of Net Position – Proprietary Funds 15

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 16

Statement of Cash Flows – Proprietary Funds 17

Statement of Net Position – Fiduciary Fund 18

Statement of Additions and Deductions - Fiduciary Fund 19

Notes to the Financial Statements

Note 1: Accounting Policies 20-27

Note 2: Cash 28

Note 3: Receivables 28

Note 4: Capital Assets 29-30

Note 5: Long-term Liabilities 31

Note 5a: Compensated Absence 31

Note 5b: Bonds 32-33

Note 5c: Financed Purchases 34

Note 5d: Operating Leases 35

Note 6: Pension Plans 36
Note 6a: CERS Pension Plan 37-40
Note 6b: TRS Pension Plan 41-43
Note 7: OPEB Plans 44
Note7a: CERS OPEB Plan 45-48
Note 7b: TRS OPEB Medical Insurance Plan 49-52
Note 7c: Combined CERS and TRS OPEB Deferred Outflows and Inflows 53
Note 7c: TRS OPEB Life Insurance Plan 54-56
Note 8: On-Behalf 56
Note 9: Fund Transfers 57
Note 10: Contingencies 57
Note 11: Risk Management 58
Note 12: Deficit Fund Balances and Current Year Deficits 58
Note 13: Corrections and Adjustments 58-59
Note 14: Changes in Accounting Principles 59

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 60
Budgetary Comparison Schedule – Special Revenue Fund 61
Notes to Budgetary Comparison Schedules 62
Schedule of District's Proportionate Share of the Net Pension Liability and Contributions – CERS 63
Schedule of District's Proportionate Share of the Net Pension Liability and Contributions – TRS 64
Schedule of District's Proportionate Share of the Net OPEB Liability and Contributions – CERS 65
Schedule of District's Proportionate Share of the Net OPEB Liability and Contributions – TRS Medical Insurance Fund 66
Schedule of District's Proportionate Share of the Net OPEB Liability and Contributions – TRS Life Insurance Fund 67

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds 68

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 69

Statement of School Activity Funds 70-72

Schedule of Expenditures of Federal Awards 73-75

Notes to the Schedule of Expenditures of Federal Awards 76

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 77-78

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance 79-81

Schedule of Findings and Questioned Costs 82

Summary Schedule of Prior Audit Findings 83

Management Letter 84-85

MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mason County School District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025 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.

Basis of Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.
Fort Thomas, Kentucky
December 8, 2025

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, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by $10,464,162 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of ($5,667,725). The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities for postemployment benefits of $11,417,033 which caused the deficit balance in the unrestricted net position. The District's total net position increased by $4,239,820 .

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

Government-wide Financial Statements

The *government-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 financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is the state mandated accounting system including a 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 funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11-19 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets				
Current assets	$ 11,490,496	$ 17,276,917	$ 1,206,384	$ 1,217,887
Noncurrent assets	67,009,728	59,511,616	495,149	507,524
Total assets	78,500,224	76,788,533	1,701,533	1,725,411
Deferred outflows	3,852,154	4,671,299	239,629	312,744
Liabilities				
Current liabilities	3,833,302	4,928,036	7,830	9,687
Noncurrent liabilities	62,770,390	63,610,387	976,374	1,107,545
Total liabilities	66,603,692	68,538,423	984,204	1,117,232
Deferred inflows	5,794,313	6,766,077	447,169	519,676
Net position				
Net investment in capital assets	12,432,535	5,495,390	466,880	483,693
Restricted	3,189,563	7,590,125	42,909	(82,446)
Unrestricted	(5,667,725)	(6,930,183)	-	-
Total net position	$ 9,954,373	$ 6,155,332	$ 509,789	$ 401,247

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues:				
Local revenue sources	$ 12,246,764	$ 12,353,902	$ 72,338	$ 183,990
State revenue sources	22,951,749	20,275,759	326,408	310,566
Federal revenue sources	3,052,659	4,296,080	2,060,197	2,017,812
Total revenues	$ 38,251,172	$ 36,925,741	$ 2,458,943	$ 2,512,368
Expenses:				
Instruction	20,764,602	21,207,830	-	-
Student support	1,766,242	1,652,666	-	-
Instruction staff	830,213	870,674	-	-
District administrative	942,923	1,056,911	-	-
School administrative	1,562,453	1,533,460	-	-
Business support	1,012,232	988,415	-	-
Plant operations	3,361,850	3,174,015	-	-
Student transportation	2,376,479	2,445,105	-	-
Other instructional	191,091	111,349	2,232,823	2,366,863
Community services	398,341	296,160	-	-
Land/site acquisitions	-	-	-	-
Bond issue costs	-	58,280	-	
Building improvements	(424,040)	4,661,184	-	-
Interest on long-term debt	1,455,086	1,254,327	-	-
Total expenses	$ 34,237,472	$ 39,310,376	$ 2,232,823	$ 2,366,863
Transfers	117,578	63,616	(117,578)	(63,616)
Change in net position	$ 4,131,278	$ (2,321,019)	$ 108,542	$ 81,889

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of $10,934,041 a change of ($4,394,490) from the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $7,270,401 . The total general fund balance increased $82,079 .

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had $59,761,679 in capital assets net of depreciation. Net capital assets changed by -$29,170 .

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Land	$ 1,276,725	$ -	$ -	$ -
Land improvements	4,574,904	5,906,956	-	-
Buildings and improvements	20,938,085	21,806,198	3,147	3,147
Technology equipment	197,402	198,177	6,319	16,248
Vehicles	1,358,231	836,494	-	-
General equipment	1,113,865	723,924	457,414	464,298
Construction in progress	29,835,587	29,835,407	-	-
Total capital assets, net	$ 59,294,799	$ 59,307,156	$ 466,880	$ 483,693

Long-Term Obligations

At the end of the fiscal year, the District had $64,950,506 in long-term liabilities. Long-term liabilities changed by ($1,073,881).

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Compensated absences	$ 701,380	$ 313,033	$ -	$ -
Bonds payable	53,768,907	53,811,766	-	-
Financed purchases	382,867	127,020	-	-
Lease liability	358,073	127,020	-	-
Net OPEB liability	3,918,000	4,336,000	-	-
Net pension liability	6,522,659	7,491,410	976,374	1,107,545
Total long-term liabilities	$ 64,950,506	$ 65,893,216	$ 976,374	$ 1,107,545

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 16%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund revenue for the District for 2025 is budgeted to decrease approximately $250,000. Expenditures are budgeted to increase approximately $200,000 over the prior year. The 2025 budget has a 14% contingency.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Lisa Moreland, 34 E. Second St., Maysville, KY 41056

Mason County School District
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	$ 10,896,662	$ 1,170,951	$ 12,067,613
Investments	-	-	-
Receivables	593,834	-	593,834
Inventory	-	35,433	35,433
Noncurrent assets			
Net OPEB asset - CERS	188,850	28,269	217,119
Right of use assets, net	619,436	-	619,436
Capital assets, net	66,201,442	466,880	66,668,322
Total assets	78,500,224	1,701,533	80,201,757
Deferred outflows of resources			
OPEB related	2,621,148	55,314	2,676,462
Pension related	1,231,006	184,315	1,415,321
Total deferred outflows of resources	3,852,154	239,629	4,091,783
Liabilities			
Current liabilities			
Accounts payable	192,286	7,830	200,116
Unearned revenue	364,169	-	364,169
Accrued interest payable	395,351	-	395,351
Bonds payable	2,540,686	-	2,540,686
Financed purchases	204,826	-	204,826
Lease liability	135,984	-	135,984
Noncurrent liabilities			
Compensated absences	701,380	-	701,380
Bonds payable	51,228,221	-	51,228,221
Financed purchases	178,041	-	178,041
Lease liability	222,089	-	222,089
Net OPEB liability - TRS	3,918,000	-	3,918,000
Net pension liability	6,522,659	976,374	7,499,033
Total liabilities	66,603,692	984,204	67,587,896
Deferred inflows of resources			
OPEB related	4,743,658	289,897	5,033,555
Pension related	1,050,655	157,272	1,207,927
Total deferred inflows of resources	5,794,313	447,169	6,241,482
Net position			
Net investment in capital assets	12,432,535	466,880	12,899,415
Restricted (deficit)	3,189,563	42,909	3,232,472
Unrestricted (deficit)	(5,667,725)	-	(5,667,725)
Total net position (deficit)	$ 9,954,373	$ 509,789	$ 10,464,162

The notes to the financial statements are an integral part of this statement.

Mason County School District
Statement of Activities
Year Ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue over Expenses
Governmental Activities					
Instruction	$ 20,764,602	$ 4,000	$ 8,004,193	$ -	$ (12,756,409)
Support services:					
Student	1,766,242	-	732,031	-	(1,034,211)
Instructional staff	830,213	-	346,353	-	(483,860)
District administration	942,923	-	108,450	-	(834,473)
School administration	1,562,453	-	484,892	-	(1,077,561)
Business	1,012,232	-	222,500	-	(789,732)
Plant operation	3,361,850	-	645,172	-	(2,716,678)
Student transportation	2,376,479	-	607,990	-	(1,768,489)
Other instructional	191,091	-	-	-	(191,091)
Community service	398,341	-	418,358	-	20,017
Building improvements	(424,040)	-	-	-	424,040
Interest on long-term debt	1,455,086	-	-	1,557,409	102,323
Total governmental activities	34,237,472	4,000	11,569,939	1,557,409	(21,106,124)
Business-Type Activities					
Food service	2,232,823	71,441	2,386,605	-	225,223
Total business-type activities	2,232,823	71,441	2,386,605	-	225,223
Total school district	$ 36,470,295	$ 75,441	$ 13,956,544	$ 1,557,409	(20,880,901)

	Governmental Activities	Business-Type Activities	Total
Revenue over expenses	$ (21,106,124)	$ 225,223	$ (20,880,901)
General Revenues			
Property taxes	8,252,044	-	8,252,044
Motor vehicle taxes	946,290	-	946,290
Utilities tax	1,482,350	-	1,482,350
State and federal aid	240,992	-	240,992
SEEK	12,362,380	-	12,362,380
Federal direct revenue	273,688	-	273,688
Investment earnings	268,690	897	269,587
Other	1,278,118	-	1,278,118
Loss on asset disposal	15,272	-	15,272
Transfers	117,578	(117,578)	-
Total general revenues	25,237,402	(116,681)	25,120,721
Change in net position	4,131,278	108,542	4,239,820
Net position (deficit) - beginning of year, as restated	5,823,095	401,247	6,224,342
Net position (deficit) - end of year	$ 9,954,373	$ 509,789	$ 10,464,162

The notes to the financial statements are an integral part of this statement.

Mason County School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 7,756,926	$ 203,155	$ 1,927,380	$ 1,009,201	$ 10,896,662
Receivables	323,381	270,303	-	150	593,834
Total assets	$ 8,080,307	$ 473,458	$ 1,927,380	$ 1,009,351	$ 11,490,496
Liabilities					
Accounts payable	$ 103,415	$ 51,401	$ 25,126	$ 12,344	$ 192,286
Unearned revenue	-	364,169	-	-	364,169
Total liabilities	103,415	415,570	25,126	12,344	556,455
Fund balances					
Restricted	184,845	114,726	1,902,254	987,738	3,189,563
Assigned	521,646	-	-	9,269	530,915
Unassigned	7,270,401	(56,838)	-	-	7,213,563
Total fund balances	7,976,892	57,888	1,902,254	997,007	10,934,041
Total liabilities and fund balances	$ 8,080,307	$ 473,458	$ 1,927,380	$ 1,009,351	$ 11,490,496

The notes to the financial statements are an integral part of this statement.

Mason County School District
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds	$	10,934,041
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets		66,201,442
Right of use assets		619,436
Deferred outflow and inflow of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows - OPEB		2,621,148
Deferred outflows - pensions		1,231,006
Deferred inflows - OPEB		(4,743,658)
Deferred inflows - pension		(1,050,655)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest payable		(395,351)
Compensated absences		(701,380)
Bonds payable		(53,768,907)
Financed purchases		(382,867)
Lease liability		(358,073)
Net OPEB asset		188,850
Net OPEB liability		(3,918,000)
Net pension liability		(6,522,659)
Net position of governmental activities	$	9,954,373

The notes to the financial statements are an integral part of this statement.

Mason County School District
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Property taxes	$ 6,552,520	$ -	$ -	$ 1,699,524	$ 8,252,044
Motor vehicle taxes	946,290	-	-	-	946,290
Utility taxes	1,482,350	-	-	-	1,482,350
Earnings on investments	264,814	34	3,842	-	268,690
Tuition	4,000	-	-	-	4,000
Other local revenue	21,485	29,078	-	1,227,555	1,278,118
Intergovernmental state:					
SEEK	11,006,458	-	-	1,355,922	12,362,380
On-behalf	7,482,427	-	-	1,557,409	9,039,836
Other	101,980	1,447,553	-	-	1,549,533
Intergovernmental federal	6,000	2,772,971	-	-	2,778,971
Federal direct	273,688	-	-	-	273,688
Total revenues	28,142,012	4,249,636	3,842	5,840,410	38,235,900
Expenditures					
Instruction	16,742,909	3,056,764	-	1,066,753	20,866,426
Support services:					
Student	1,476,170	333,450	-	158	1,809,778
Instruction staff	721,677	181,567	-	3,289	906,533
District administrative	990,874	-	-	-	990,874
School administrative	1,638,911	-	-	-	1,638,911
Business support	1,031,219	38,741	-	-	1,069,960
Plant operation	3,374,642	60,264	-	-	3,434,906
Student transportation	2,930,284	-	-	99,465	3,029,749
Other instructional	-	196,318	-	-	196,318
Community services	6,305	416,726	-	-	423,031
Building improvements	-	-	6,906,643	-	6,906,643
Debt service					
Principal	-	-	-	2,420,000	2,420,000
Interest	-	-	-	1,413,820	1,413,820
Total expenditures	28,912,991	4,283,830	6,906,643	5,003,485	45,106,949
Excess of revenues over (under) expenditures	(770,979)	(34,194)	(6,902,801)	836,925	(6,871,049)
Other financing sources (uses)					
Transfers in	893,119	98,903	-	2,276,411	3,268,433
Transfers out	(55,333)	(43,570)	-	(3,051,952)	(3,150,855)
Sale of assets	15,272	-	-	-	15,272
Bond issue costs	-	-	(33,580)	-	(33,580)
Bond premium proceeds	-	-	32,289	-	32,289
Bond proceeds	-	-	2,345,000	-	2,345,000
Total other financing sources (uses)	853,058	55,333	2,343,709	(775,541)	2,476,559
Net change in fund balances	82,079	21,139	(4,559,092)	61,384	(4,394,490)
Fund balances - beginning	7,894,813	36,749	6,461,346	935,623	15,328,531
Fund balances - end of year	$ 7,976,892	$ 57,888	$ 1,902,254	$ 997,007	$ 10,934,041

Mason County School District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
Year Ended June 30, 2025

Net change in fund balances - total governmental funds	$	(4,394,490)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		7,967,167
Depreciation expense		(1,072,881)
The issuance of long-term debt provides current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.		
Proceeds		(2,345,000)
Bond issue costs		(32,289)
Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,420,000
Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the funds.		
Lease and financed purchases amortization		97,741
Bond premium and discount amortization		148
Change in accrued interest payable		(20,039)
Change in compensated absences		(56,110)
Change in OPEB liabilities and deferred amounts		1,080,452
Change in pension liabilities and deferred amounts		486,579
Change in net position of governmental activities	$	4,131,278

Mason County School District
Statement of Net Position – Proprietary Fund
June 30, 2025

	Food Service
Assets	
Current assets	
Cash and cash equivalents	$ 1,170,951
Inventories for consumption	35,433
Total current assets	1,206,384
Noncurrent assets	
Net OPEB asset - CERS	28,269
Capital assets, net	466,880
Total noncurrent assets	495,149
Total assets	1,701,533
Deferred outflows of resources	
OPEB related	55,314
Pension related	184,315
Total deferred outflows of resources	239,629
Liabilities	
Current liabilities	
Accounts payable	7,830
Total current liabilities	7,830
Long-term liabilities	
Net pension liability	976,374
Total long-term liabilities	976,374
Total liabilities	984,204
Deferred inflows of resources	
OPEB related	289,897
Pension related	157,272
Total deferred inflow of resources	447,169
Net position	
Net investment in capital assets	466,880
Restricted	42,909
Total net position (deficit)	$ 509,789

The notes to the financial statements are an integral part of this statement.

Mason County School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
Year Ended June 30, 2025

	Food Service
Operating revenues	
Food service	$ 71,441
Total operating revenues	71,441
Operating expenses	
Salaries and wages	570,875
Employee benefits	350,297
Purchased services	44,644
Materials and supplies	1,210,375
Other operating expenses	14,124
Depreciation	42,508
Total operating expenses	2,232,823
Operating loss	(2,161,382)
Non operating revenues	
Operating grants - state	13,926
On-behalf revenue	312,482
Operating grants - federal	1,959,235
Donated commodities	100,962
Transfers in	-
Transfers out	(117,578)
Interest income	897
Total other financing sources (uses)	2,269,924
Net change in fund balances	108,542
Fund balances - beginning of year	401,247
Fund balances - end of year	$ 509,789

The notes to the financial statements are an integral part of this statement.

Mason County School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	Food Service
Cash flows from operating activities	
Cash received:	
From food service sales	$ 74,057
From tuition	-
Cash paid:	
To employees	(1,056,173)
To suppliers	(1,220,373)
For operating expenses	(58,768)
Cash transfer	(117,578)
Net cash used in operating activities	(2,378,835)
Cash flows from noncapital financing activities	
Bank overdraft	-
Non operating grants	2,386,605
Net cash provided by noncapital financing activities	2,386,605
Cash flows from investing activities	
Purchases of equipment	(25,695)
Interest on investments	897
Net cash provided by investing activities	(24,798)
Net increase in cash	(17,028)
Cash - beginning of year	1,187,979
Cash - end of year	$ 1,170,951
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (2,161,382)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	42,508
Transfers out	(117,578)
Changes in:	
Receivables	2,616
Inventory	(8,141)
Payables	(1,857)
Deferred outflows	49,284
Deferred inflows	(72,507)
Net OPEB liability	19,393
Net pension liability	(131,171)
Net cash used in operating activities	$ (2,378,835)
Noncash activities	
Commodities received from federal	$ 100,962
On-behalf payments received state	$ 312,482

The notes to the financial statements are an integral part of this statement.

Mason County School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	Trust Fund
Assets	
Cash and cash equivalents	$ 18,474
Total assets	$ 18,474
Net Position	
Restricted	18,474
Total net position	18,474
Total liabilities and net position	$ 18,474

The notes to the financial statements are an integral part of this statement.

Mason County School District
Statement of Changes in Net Position – Fiduciary Fund
Year Ended June 30, 2025

	Trust Fund
Additions	
Interest income	$ 16
Total operating revenues	16
Change in net position	16
Net position - beginning of year	18,458
Net position - end of year	$ 18,474

The notes to the financial statements are an integral part of this statement.

NOTE 1: 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 education within the jurisdiction of Mason County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others.

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

Basis of Presentation

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

Government-Wide 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.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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 governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *District Activity Fund* is a special revenue fund that accounts for funds received at the school level.

The *School Activity Fund* is a special revenue fund that accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

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

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

Proprietary Fund Types (Enterprise Funds)

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivable are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that 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 in both 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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. 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 except for land. 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:

Description	Estimated Lives
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

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

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

Pensions

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned by not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action of the Board.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or there is majority passed vote by the Board.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

Property taxes are levied in September on the assessed value listed as of the prior January 1 for all the 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. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

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 statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature an infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

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

Budgetary Process

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through December 8, 2025, the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

At year end, the District's bank balance was $13,537,078 and the carrying amount was $12,086,087 . The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

Operating account	$ 13,537,078
Outstanding items	(1,450,991)
Book balance	$ 12,086,087

Governmental funds	$ 10,896,662
Proprietary fund	1,170,951
Fiduciary fund	18,474
Total funds	$ 12,086,087

Custodial credit risk- deposits. This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

NOTE 3: RECEIVABLES

The District reported the following receivables:

	General Fund	Special Revenue Fund	Student Activity Fund	Total
Taxes	$ 311,841	$ -	$ -	$ 311,841
Accounts	5,039		150	5,189
Intergovernmental - state	-	9,000		9,000
Intergovernmental - federal	6,501	261,303		267,804
	$ 323,381	$ 270,303	$ 150	$ 593,834

The District believes that all receivables are fully collectible and no allowance has been reported.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Governmental Activities				
Land	$ 1,276,725	$ -	$ -	$ 1,276,725
Land and improvements	5,948,285	-	-	5,948,285
Buildings and improvements	42,013,335	7,516	-	42,020,851
Technology equipment	4,860,159	-	2,253	4,857,906
Vehicles	3,986,234	602,904	299,039	4,290,099
General equipment	1,846,289	450,418	180	2,296,527
Construction in progress	29,835,407	6,906,823	-	36,742,230
Total at historical cost	89,766,434	7,967,661	301,472	97,432,623
Less accumulated depreciation				
Land and improvements	1,318,054	55,327	-	1,373,381
Buildings and improvements	20,207,137	877,585	1,956	21,082,766
Technology equipment	4,661,982	775	2,253	4,660,504
Vehicles	3,149,740	81,167	299,039	2,931,868
General equipment	1,122,365	60,297	-	1,182,662
Total accumulated depreciation	30,459,278	1,075,151	303,248	31,231,181
Capital assets - net	$ 59,307,156	$ 6,892,510	$ (1,776)	$ 66,201,442

	Balance 7/1/2023	Increases	Decreases	Balance 6/30/2024
Business-type Activities				
Technology equipment	$ 27,802	$ -	$ 753	$ 27,049
Vehicles	27,080	-	-	27,080
General equipment	943,411	24,905	-	968,316
Total at historical cost	998,293	24,905	753	1,022,445
Less accumulated depreciation				
Technology equipment	24,655	-	753	23,902
Vehicles	10,832	9,929	-	20,761
General equipment	479,113	36,642	4,853	510,902
Total accumulated depreciation	514,600	46,571	5,606	555,565
Capital assets - net	$ 483,693	$ (21,666)	(4,853)	$ 466,880

NOTE 4: CAPITAL ASSETS - CONTINUED

Depreciation was charged to following functions:

	Governmental	Business-type
Instruction	$ 871,580	$ -
Student support	83,261	-
District admin	471	-
School admin	1,183	-
Business support	1,023	-
Plant operations	43,723	-
Student transportation	71,640	-
Food service	-	42,058
	$ 1,072,881	$ 42,058

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

Governmental Activities	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amount Due Within One Year	Long-Term
Compensated absences	$ 313,033	$ 388,347	$ -	$ 701,380	$ -	701,380
Bonds payable, net	53,811,766	2,377,289	2,420,148	53,768,907	2,540,686	51,228,221
Financed purchases	127,020	534,770	278,923	382,867	204,826	178,041
Operating lease	135,496	395,083	172,506	358,073	135,984	222,089
Net OPEB liability	4,336,000	-	418,000	3,918,000	-	3,918,000
Net pension liability	7,491,410	-	968,751	6,522,659	-	6,522,659
Total long-term liabilities	$ 66,214,725	$ 3,695,489	$ 4,258,328	$ 65,651,886	$ 2,881,496	$ 62,770,390

Business-type Activities	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amount Due Within One Year	Long-Term
Net pension liability	$ 1,107,545	$ -	$ 131,171	$ 976,374	$ -	$ 976,374
Total long-term liabilities	$ 1,107,545	$ -	$ 131,171	$ 976,374	$ -	976,374

NOTE 5a: Compensated Absences

Employees accrued sick time and personal leave based on classification and years of service. The accrued time is available for use as needed. Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Under GASB 101, the District has accrued a compensated absence liability for the amount that is more likely than not to be used for time of or otherwise paid. The compensated absence balance at year end is $701,380 .

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Note 5b: Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

Issue Date	Proceeds	Rates	Balance June 30, 2025
2013	$ 2,315,000	1.400% - 3.000%	1,185,000
2014	$ 4,540,000	2.000% - 3.250%	3,650,000
2016	$ 1,465,000	2.000% - 3.000%	1,295,000
2018	$ 4,545,000	3.000% - 3.875%	4,160,000
2019	$ 8,765,000	2.000% - 3.000%	7,815,000
2020	$ 4,280,000	2.000% - 2.500%	3,735,000
2021	$ 26,415,000	2.000% - 2.125%	23,370,000
2024	$ 6,320,000	4.000%	6,205,000
2024B	$ 3,365,000	4.000%	2,345,000
			$ 53,760,000

Bond activity for the year is as follows:

Governmental Activities	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amount Due Within One Year	Long-Term
Series 2013	$ 1,300,000	$ 0	$ 115,000	$ 1,185,000	$ 115,000	$ 1,070,000
Series 2014	3,965,000	-	315,000	3,650,000	320,000	3,330,000
Series 2016	1,390,000	-	95,000	1,295,000	105,000	1,190,000
Series 2018	4,385,000	-	225,000	4,160,000	235,000	3,925,000
Series 2019	8,225,000	-	410,000	7,815,000	410,000	7,405,000
Series 2020	3,845,000	-	110,000	3,735,000	115,000	3,620,000
Series 2021	24,405,000	-	1,035,000	23,370,000	1,055,000	22,315,000
Series 2024A	6,320,000		115,000	6,205,000	105,000	6,100,000
Series 2024B	-	2,345,000	-	2,345,000	80,000	2,265,000
Bonds payable	53,835,000	2,345,000	2,420,000	53,760,000	2,540,000	51,220,000
Bond premium	29,304	32,289	2,775	58,818	3,313	55,505
Bond discount	(52,538)	-	(2,627)	(49,911)	(2,627)	(47,284)
Bonds payable, net	$ 53,811,766	$ 2,377,289	$ 2,420,148	$ 53,768,907	$ 2,540,686	$ 51,228,221

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Note 5b: Bonds Payable - Continued

Debt service requirements for the District's general obligation bonds are as follows:

	Mason County School District		School Facility Construction Commission		Total Debt
	Principal	Interest	Principal	Interest	Service
2026	$ 1,416,976	$ 990,776	$ 1,123,024	$ 434,387	$ 3,965,163
2027	1,451,932	952,423	1,148,068	409,340	3,961,763
2028	1,490,907	912,254	1,174,093	383,316	3,960,570
2029	1,543,854	868,648	1,201,146	356,263	3,969,911
2030	1,580,972	823,533	1,229,028	328,380	3,961,913
2031-2035	8,660,577	3,374,004	6,374,423	1,199,401	19,608,405
2036-2040	9,728,844	2,006,669	5,976,156	540,558	18,252,227
2041-2045	7,425,851	589,073	2,234,149	44,881	10,293,954
Total payments	$ 33,299,913	$ 10,517,380	$ 20,460,087	$ 3,696,526	$ 67,973,906

Total principal payments	$ 53,760,000
Total interest payments	14,213,906
Total debt service	$ 67,973,906

Note 5c: Financed Purchases

To provide students with current technology, the District finances equipment purchases with local banks. Financed purchases activity for the year is as follows:

Purchase	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amount Due Within One Year	Long-Term
US Bank #9	$ 17,125	$ -	$ 17,125	$ -	$ -	$ -
US Bank #10	18,838	-	18,838	-	$ -	-
US Bank #11	18,838	-	18,838	-	$ -	-
US Bank #12	38,010	-	18,434	19,576	$ 19,576	-
US Bank #13	34,209	-	16,590	17,619	$ 17,619	-
US Bank #14		59,600	21,075	38,525	$ 18,682	19,843
US Bank #15		62,580	22,129	40,451	$ 19,616	20,835
US Bank #16		61,090	21,602	39,488	$ 19,150	20,338
US Bank #17		351,500	124,292	227,208	110,183	117,025
Financed purchases	$ 127,020	$ 534,770	$ 278,923	$ 382,867	$ 204,826	$ 178,041

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Note 5c: Financed Purchases - Continued

Debt service requirements for the District's financed purchases are as follows:

	Principal	Interest	Total Payments
2026	$ 204,826	$ 23,772	$ 228,598
2027	178,041	11,056	189,097
	$ 382,867	$ 34,828	$ 417,695

The related right- of use assets are as follows:

Right-of-use	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Right-of-use equipment	$ -	$ 534,770		$ 534,770
Accumulated amortization	-	269,315		269,315
Right-of-use equipment, net	$ -	$ 265,455	$ -	$ 265,455

Note 5d: Operating Leases

The District has entered into equipment lease agreements that are classified as operating leases. Operating lease activity for the year is as follows:

Contract	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amount Due Within One Year	Long-Term
2022 copier contract	$ 135,496	$ -	$ 95,441	$ 40,055	$ 40,055	$ -
2024 copier contract	-	395,083	77,065	318,018	95,929	222,089
Operating leases	$ 135,496	$ 395,083	$ 172,506	$ 358,073	$ 135,984	$ 222,089

Contract payment requirements for the District's operating leases are as follows:

	Principal	Interest	Total Payments
2026	$ 135,984	$ 10,863	$ 146,847
2027	99,838	6,710	106,548
2028	103,904	2,644	106,548
2029	18,347	-	18,347
	$ 358,073	$ 20,217	$ 378,290

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Note 5d: Operating Leases - Continued

The related right- of use assets are as follows:

Right-of-use	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Right-of-use equipment	$ 279,349	$ 395,083		$ 674,432
Accumulated amortization	236,078	84,373		320,451
Right-of-use equipment, net	$ 43,271	$ 310,710	$ -	$ 353,981

NOTE 6: PENSION PLANS

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 6a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 6b.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

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NOTE 6a: CERS PENSION PLAN

Plan Description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. District employees participating in CERS are provided benefits through the nonhazardous plan. Employees are vested in the plan after five years of service. For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87
	Reduced retirement	Not available

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 19.71%. The District made all required contributions for fiscal year in the amount of $860,516 .

Note 6a: CERS PENSION PLAN - CONTINUED

Pension Liability

At June 30, 2025, the District reported a liability of $7,499,033 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2023, 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 for CERS 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, 2022, the District's proportion was 0.1135%.

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of $553,105 related to CERS

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 362,967	$ -	
Change of assumptions	-	338,809	
Change in investment experience	-	482,147	
Change in proportionate share of contributions	191,838	386,971	
	554,805	$ 1,207,927	$ (653,122)
Subsequent contributions	860,516		
Total	$ 1,415,321		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The net deferral will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	$ (349,249)
2027	(11,080)
2028	(185,343)
2029	(107,450)
	$ (653,122)

Note 6a: CERS PENSION PLAN - CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles

There have been no assumption, method, or plan provision changes that would materially impact the total pension liability since June 30, 2023.

The significant actuarial assumptions are:

Payroll growth rate	2.00%
Investment return	6.50%
Inflation	2.30%
Salary increase	3.30% to 10.30%

Long-term Expected Rate of Return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed foreach 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 is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Note 6a: CERS PENSION PLAN - CONTINUED

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's proportionate share of the CERS net pension liability	$ 9,667,479	$ 7,499,033	$ 5,699,794

NOTE 6b: TRS PENSION PLAN

Plan Description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (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 educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. 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://www.ktrs.ky.gov/05_publications/index.htm.

Benefits Provided

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

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

2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (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 employees 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 service, including the first ten years.

In addition, employees 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 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary.

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.

NOTE 6b: TRS PENSION PLAN - CONTINUED

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 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 employees 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.

Pension Liability

The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The State's proportionate share of the TRS net pension liability associated with the district is $41,765,909 .

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of $3,651,344 related to TRS. The District also recognized revenue of $3,651,344 for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Actuarial assumptions

The assumption for the municipal bond index rate increased from 3.66% to 3.94%.

The significant actuarial assumptions are:

Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

NOTE 6b: TRS PENSION PLAN - CONTINUED

Long-term expected rate of return

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.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 7: OPEB PLAN

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 7a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 7b.

OPEB plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

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Note 7a: CERS OPEB Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, District, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.
For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87
	Reduced retirement	Not available

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 0.00%. The District made all required contributions for the fiscal year in the amount of $0

Note 7a: CERS OPEB Plan – Continued

OPEB Liability

At June 30, 2025, the District reported an asset of $217,119 for its proportionate share of the net OPEB liability for CERS . The net OPEB liability for the plan was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2023 the District's proportionate share was 11.36280%.

OPEB Expense

For the year ended June 30, 2025, the District recognized OPEB expense of ($512,413) related to CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 120,455	$ 1,708,303	
Change of assumptions	196,736	153,201	
Change in investment experience	-	198,134	
Change in proportionate share of contributions	107,651	166,917	
	424,842	$ 2,226,555	$ (1,801,713)
Subsequent contributions	-		
Total	$ 424,842		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2026	$ (727,304)
2027	(556,190)
2028	(478,677)
2029	(39,542)
	$ (1,801,713)

Note 7a: CERS OPEB Plan – Continued

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99%. The total OPEB liability as of June 30, 2024 is determined using these updated assumptions.

Employer fiscal year end	2025
Plan year end	2024
Payroll growth rate	2.00%
Investment return	6.50%
Inflation	2.30%
Salary increase	3.30% to 10.30%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed foreach 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 is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected real return	100.00%	5.75%
Long-term inflation assumption		2.50%

Note 7a: CERS OPEB Plan – Continued

Discount rate

The discount rate used to measure the total pension liability was 5.99%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 4.99%	Current Discount Rate 5.99%	1% Increase 6.99%
District's proportionate share of the CERS net OPEB liability (asset)	$ 293,570	$ (217,119)	$ (646,508)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the CERS net OPEB liability (asset)	$ (522,363)	$ (217,119)	$ 138,468

NOTE 7b: TRS OPEB Health Insurance Plan

Plan Description

District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides post-employment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions.

Benefits Provided

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

Contributions

Local school districts contribute 3.00% of members' salaries and the state contributes the net cost of the health insurance premiums. The District made all required contributions for the fiscal year in the amount of $395,620 .

OPEB Liability

At June 30, 2025, the District reported a liability of $3,232,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District's proportionate share was 0.13009%.

OPEB Expense

For the year ended June 30, 2025, the District recognized OPEB expense of $268,275 related to TRS and on-behalf revenue of $268,275 for TRS support provided by the Commonwealth.

Note 7b: TRS OPEB Health Insurance Plan - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ -	$ 1,177,000	
Change of assumptions	998,000	-	
Change in investment experience	-	126,000	
Change in proportionate share of contributions	858,000	1,504,000	
	1,856,000	$ 2,807,000	$ (951,000)
Subsequent contributions	395,620		
Total	$ 2,251,620		

The contributions subsequent to the measurement date of $395,620 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of ($951,000) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	$ (348,000)
2027	(78,000)
2028	(118,000)
2029	(230,000)
2030	(173,000)
Thereafter	(4,000)
	$ (951,000)

Note 7b: TRS OPEB Health Insurance Plan - Continued

Actuarial assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Payroll growth rate	2.00%
Investment return	6.50%
Inflation	2.30%
Salary increase	3.30% to 10.30%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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 is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	35.40%	5.00%
Small Cap US Equity	2.60%	5.50%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	9.00%	1.90%
High Yield Bonds	8.00%	3.80%
Additional categories	9.00%	3.70%
Real Estate	6.50%	3.20%
Private Equity	8.50%	8.00%
Cash	1.00%	1.60%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

Note 7b: TRS OPEB Health Insurance Plan - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
District's proportionate share of the TRS net OPEB liability	$ 2,647,000	$ 3,918,000	$ 5,498,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the TRS net OPEB liability	2,851,000	3,918,000	5,205,000

Note 7c: Combined Deferred Outflows of Resources and Deferred Inflows of Resources

The combined CERS and TRS OPEB deferred outflows of resources and deferred inflows of resources are as follows:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 120,455	$ 2,885,303	
Change of assumptions	1,194,736	153,201	
Change in investment experience	-	324,134	
Change in proportionate share of contributions	965,651	1,670,917	
	2,280,842	$ 5,033,555	$ (2,752,713)
Subsequent contributions	395,620		
Total	$ 2,676,462		

The contributions subsequent to the measurement date of $395,620 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The net deferral of ($2,752,713) will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2026	$ (1,075,304)
2027	(634,190)
2028	(596,677)
2029	(269,542)
2030	(173,000)
Thereafter	(4,000)
	$ (2,752,713)

Note 7d: TRS OPEB Life Insurance Trust

Plan Description

District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides life insurance benefits to retired and active members. The TRS Life Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation.

Benefits Provided

TRS provides a life insurance benefit of $5,000 for members who are retired for service or disability and $2,000 for active contributing members who began participating before January 1, 2022. For TRS 4 members, the life insurance benefit payable upon the death of a member is $5,000 for active contributing members and $10,000 for retired or disabled members.

Contributions

The state contributes 0.08% of members' salaries for the life insurance trust. Local school districts do not contribute to the plan.

OPEB Liability

The District did not report a liability for the District's proportionate share of the net OPEB liability for TRS because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The State's proportionate share of the TRS net OPEB liability associated with the district is .

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of $9,734 related to TRS and on-behalf revenue of $8,030 for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Note 7d: TRS OPEB Life Insurance Trust - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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 is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	40.00%	5.20%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Additional categories	5.00%	4.00%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

Note 7d: TRS OPEB Life Insurance Trust - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 8: ON-BEHALF

For the year ended June 30, 2025, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	$ 7,482,427
Debt service	1,557,409
Food service	312,482
	$ 9,352,318

Type	
TRS pension fund	$ 3,651,344
TRS medical insurance fund	325,173
TRS life insurance fund	9,734
Health insurance less federal reimbursement	3,565,669
Life insurance	4,380
Administrative fee	34,949
HRA/Dental/Vision insurance	142,458
Technology	61,202
Debt service	1,557,409
	$ 9,352,318

NOTE 9: FUND TRANSFERS

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Matching funds	$ 55,333
Building	Debt service	Debt service	2,276,411
Building	General fund	Projects	542,479
Special revenue	Special revenue	Projects	43,570
Capital outlay	General fund	Projects	233,062
Food service	General fund	Indirect cost	117,578
		Total transfers	$ 3,268,433

Transfers are reported in financial statements as follows:

	Transfers In	Transfers Out	Net Transfer
Governmental funds	$ 3,268,433	$ 3,150,855	$ 117,578
Proprietary fund	-	117,578	(117,578)
	$ 3,268,433	$ 3,268,433	$ -

NOTE 10: CONTINGENCIES

Grants. The District receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District's grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2025, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

NOTE 12: DEFICIT FUND BALANCES AND CURRENT YEAR DEFICITS

There are no funds that have a deficit balance at the end of the fiscal year.

The following funds had a current year net decrease in fund balance:

Construction fund	$	(4,591,381)

NOTE 13: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

During the fiscal year, the beginning net position was restated due to the implementation of GASB 101.

	As previously reported				As adjusted / corrected
	6/30/2024 Net Position / Fund Balance	Change in Accounting Principle	Change to or Within the Reporting Entity	Error Correction	6/30/2024 Net Position / Fund Balance
Government-wide					
Governmental activities	$ 6,155,332	$ (332,237)	$ -	$ -	$ 5,823,095
Business-type activities	401,247				401,247
Total primary government	$ 6,556,579	$ (332,237)	$ -	$ -	$ 6,224,342
Governmental funds	$ 15,328,531	$ -	$ -	$ -	$ 15,328,531
Proprietary fund	$ 401,247	$ -	$ -	$ -	$ 401,247
Fiduciary fund	$ 18,458	$ -	$ -	$ -	$ 18,458

NOTE 14: CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2024, the District implemented Government Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and GASB Statement No. 101, Compensated Absences.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of GASB 100 did not have any effect on beginning net position/ fund.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The implementation of GASB 101 caused the beginning net position of governmental activities to decrease by $332,237.

REQUIRED SUPPLEMENTARY INFORMATION

Mason County School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
From local sources:				
Property taxes	$ 6,417,849	$ 6,417,849	$ 6,552,520	$ 134,671
Motor vehicle taxes	690,267	690,267	946,290	256,023
Utility taxes	700,000	700,000	1,482,350	782,350
Earnings on investments	250,000	250,000	264,814	14,814
Tuition	-	-	4,000	4,000
Other local revenue	43,260	43,260	21,485	(21,775)
Intergovernmental state:				
SEEK	8,210,659	8,210,659	11,006,458	2,795,799
On-behalf	5,713,919	5,713,919	7,482,427	1,768,508
Other	99,892	99,892	101,980	2,088
Intergovernmental federal	-	-	6,000	
Federal direct	90,000	90,000	273,688	183,688
Total revenues	22,215,846	22,215,846	28,142,012	5,920,166
Expenditures				
Instruction	12,558,300	12,558,300	16,742,909	(4,184,609)
Support services:				
Student	1,597,765	1,597,765	1,476,170	121,595
Instruction staff	1,151,830	1,151,830	721,677	430,153
District administrative	1,132,277	1,132,277	990,874	141,403
School administrative	1,474,884	1,474,884	1,638,911	(164,027)
Business support	513,652	513,652	1,031,219	(517,567)
Plant operation and maintenance	2,417,554	2,417,554	3,374,642	(957,088)
Student transportation	2,551,481	2,551,481	2,930,284	(378,803)
Food service	12,965	12,965	-	12,965
Community services	-	-	6,305	(6,305)
Contingency	4,352,938	4,352,938	-	4,352,938
Total expenditures	27,763,646	27,763,646	28,912,991	(1,149,345)
Excess of revenues over (under) expenditures	(5,547,800)	(5,547,800)	(770,979)	4,776,821
Other financing sources (uses)				
Transfers in	100,000	100,000	893,119	793,119
Transfers out	(248,700)	(248,700)	(55,333)	193,367
Sale of assets	-	-	15,272	-
Total other financing sources (uses)	(148,700)	(148,700)	853,058	986,486
Net change in fund balances	(5,696,500)	(5,696,500)	82,079	5,763,307
Fund balances - beginning	5,696,500	5,696,500	7,894,813	2,198,313
Fund balances - end of year	$ -	$ -	$ 7,976,892	$ 7,961,620

Mason County School District
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended June 30, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
Earnings on investments	$ -	$ -	$ 34	$ 34
Other local revenue	72,000	72,000	29,078	(42,922)
Intergovernmental state:				
Other	1,430,196	1,430,196	1,447,553	17,357
Intergovernmental federal	2,815,228	2,815,228	2,772,971	(42,257)
Total revenues	4,317,424	4,317,424	4,249,636	(67,788)
Expenditures				
Instruction	2,870,746	2,870,746	3,056,764	(186,018)
Support services:				
Student	402,766	402,766	333,450	69,316
Instruction staff	394,049	394,049	181,567	212,482
District administrative	40,730	40,730	-	40,730
Business support	-	-	38,741	(38,741)
Plant operation and maintenance	481,870	481,870	60,264	421,606
Other instructional	-	-	196,318	(196,318)
Community services	417,980	417,980	416,726	1,254
Total expenditures	4,608,141	4,608,141	4,283,830	324,311
Excess of revenues over (under) expenditures	(290,717)	(290,717)	(34,194)	256,523
Other financing sources (uses)				
Transfers in	290,717	290,717	98,903	(191,814)
Transfers out	-	-	(43,570)	(43,570)
Total other financing sources (uses)	290,717	290,717	55,333	(235,384)
Net change in fund balances	-	-	21,139	21,139
Fund balances - beginning	-	-	36,749	36,749
Fund balances - end of year	$ -	$ -	$ 57,888	$ 57,888

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

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

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

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

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

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

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

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

The Board has the ability to amend the working budget.

Schedule of District's Proportionate Share of the Net Pension Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.1135%	$ 7,499,033	$ 3,958,500	189.44%	61.61%
2024	2023	0.1119%	$ 8,598,955	$ 3,919,030	219.42%	57.48%
2023	2022	0.1130%	$ 9,007,785	$ 3,568,592	252.42%	52.42%
2022	2021	0.1150%	$ 8,244,718	$ 3,357,012	245.60%	55.95%
2021	2020	0.1115%	$ 10,051,887	$ 3,377,698	297.60%	47.81%
2020	2019	0.1135%	$ 9,382,996	$ 3,284,849	285.64%	50.45%
2019	2018	0.1105%	$ 8,066,974	$ 3,150,350	256.07%	53.54%
2018	2017	0.1102%	$ 7,566,863	$ 3,104,763	243.72%	53.32%
2017	2016	0.1138%	$ 6,335,478	$ 3,104,763	204.06%	55.50%
2016	2015	0.1108%	$ 5,476,878	$ 2,958,220	185.14%	59.97%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	$ 860,516	$ 860,516	$ -	$ 4,365,885	19.71%
2024	$ 923,914	$ 923,914	$ -	$ 3,958,500	23.34%
2023	$ 917,053	$ 917,053	$ -	$ 3,919,030	23.40%
2022	$ 755,471	$ 755,471	$ -	$ 3,568,592	21.17%
2021	$ 647,901	$ 647,901	$ -	$ 3,357,012	19.30%
2020	$ 545,841	$ 545,841	$ -	$ 3,377,698	16.16%
2019	$ 475,365	$ 475,365	$ -	$ 3,284,849	14.47%
2018	$ 439,080	$ 439,080	$ -	$ 3,150,350	13.94%
2017	$ 365,574	$ 365,574	$ -	$ 3,104,763	11.77%
2016	$ 380,323	$ 380,323	$ -	$ 3,104,763	12.25%

Schedule of District's Proportionate Share of the Net Pension Liability - TRS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0000%	$ -	$ 56,177,421	$ 12,163,467	0.00%	60.36%
2024	2023	0.0000%	$ -	$ 57,503,357	$ 11,228,500	0.00%	57.68%
2023	2022	0.0000%	$ -	$ 58,160,910	$ 10,977,033	0.00%	56.41%
2022	2021	0.0000%	$ -	$ 47,873,756	$ 12,248,574	0.00%	65.59%
2021	2020	0.0000%	$ -	$ 52,406,134	$ 12,004,511	0.00%	58.27%
2020	2019	0.0000%	$ -	$ 51,024,372	$ 12,092,278	0.00%	58.76%
2019	2018	0.0000%	$ -	$ 49,664,008	$ 11,772,378	0.00%	59.30%
2018	2017	0.0000%	$ -	$ 101,226,844	$ 11,715,920	0.00%	39.83%
2017	2016	0.0000%	$ -	$ 110,380,849	$ 11,715,920	0.00%	35.22%
2016	2015	0.0000%	$ -	$ 92,580,483	$ 11,466,263	0.00%	42.49%

Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	$ -	$ -	$ -	$ 13,187,333	0.00%
2024	$ -	$ -	$ -	$ 12,163,467	0.00%
2023	$ -	$ -	$ -	$ 11,228,500	0.00%
2022	$ -	$ -	$ -	$ 10,977,033	0.00%
2021	$ -	$ -	$ -	$ 12,248,574	0.00%
2020	$ -	$ -	$ -	$ 12,004,511	0.00%
2019	$ -	$ -	$ -	$ 12,092,278	0.00%
2018	$ -	$ -	$ -	$ 11,772,378	0.00%
2017	$ -	$ -	$ -	$ 11,715,920	0.00%
2016	$ -	$ -	$ -	$ 11,715,920	0.00%

Schedule of District's Proportionate Share of the Net OPEB Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.1255%	$ (217,119)	$ 4,635,885	-4.68%	104.89%
2024	2023	0.1340%	$ (185,020)	$ 3,919,030	-4.72%	104.23%
2023	2022	0.1248%	$ 2,642,708	$ 3,568,592	74.05%	60.95%
2022	2021	0.1293%	$ 2,475,039	$ 3,357,012	73.73%	58.41%
2021	2020	0.1310%	$ 3,163,710	$ 3,377,698	93.66%	51.67%
2020	2019	0.1334%	$ 2,243,358	$ 3,284,849	68.29%	60.44%
2019	2018	0.1325%	$ 2,351,677	$ 3,150,350	74.65%	57.62%
2018	2017	0.1293%	$ 2,598,870	$ 3,104,763	83.71%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	$ -	$ -	$ -	$ 3,850,142	0.00%
2024	$ -	$ -	$ -	$ 3,958,500	0.00%
2023	$ 132,855	$ 132,855	$ -	$ 3,919,030	3.39%
2022	$ 206,261	$ 206,261	$ -	$ 3,568,592	5.78%
2021	$ 144,064	$ 144,064	$ -	$ 3,357,012	4.29%
2020	$ 174,670	$ 174,670	$ -	$ 3,377,698	5.17%
2019	$ 194,193	$ 194,193	$ -	$ 3,284,849	5.91%
2018	$ 140,872	$ 140,872	$ -	$ 3,150,350	4.47%

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.1758%	$ 3,918,000	$ 3,490,000	$ 12,163,467	32.21%	59.81%
2024	2023	0.1780%	$ 4,336,000	$ 3,655,000	$ 11,228,500	38.62%	52.97%
2023	2022	0.2419%	$ 6,161,000	$ 2,024,000	$ 10,977,033	56.13%	47.75%
2022	2021	0.1970%	$ 4,227,000	$ 3,433,000	$ 12,248,574	34.51%	51.47%
2021	2020	0.1992%	$ 5,027,000	$ 4,027,000	$ 12,004,511	41.88%	32.58%
2020	2019	0.2004%	$ 5,864,000	$ 4,736,000	$ 12,092,278	48.49%	32.58%
2019	2018	0.1966%	$ 8,258,000	$ 5,878,000	$ 11,772,378	70.15%	25.54%
2018	2017	0.1990%	$ 7,098,000	$ 5,798,000	$ 11,715,920	60.58%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	$ 395,620	$ 395,620	$ -	$ 13,187,333	3.00%
2024	$ 364,904	$ 364,904	$ -	$ 12,163,467	3.00%
2023	$ 336,855	$ 336,855	$ -	$ 11,228,500	3.00%
2022	$ 329,311	$ 329,311	$ -	$ 10,977,033	3.00%
2021	$ 647,901	$ 647,901	$ -	$ 12,248,574	5.29%
2020	$ 545,841	$ 545,841	$ -	$ 12,004,511	4.55%
2019	$ 475,365	$ 475,365	$ -	$ 12,092,278	3.93%
2018	$ 353,171	$ 353,171	$ -	$ 11,772,378	3.00%

Mason County School District
Schedule of District's Share of Net OPEB Liability and Contributions – TRS Life Insurance Plan
June 30, 2025

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0000%	$ -	$ 80,000	$ 12,163,467	0.00%	80.57%
2024	2023	0.0000%	$ -	$ 90,000	$ 11,228,500	0.00%	76.91%
2023	2022	0.0000%	$ -	$ 101,000	$ 10,977,033	0.00%	73.97%
2022	2021	0.0000%	$ -	$ 46,000	$ 12,248,574	0.00%	89.15%
2021	2020	0.0000%	$ -	$ 122,000	$ 12,004,511	0.00%	71.57%
2020	2019	0.0000%	$ -	$ 110,000	$ 12,092,278	0.00%	73.40%
2019	2018	0.0000%	$ -	$ 101,000	$ 11,772,378	0.00%	74.97%
2018	2017	0.0000%	$ -	$ 78,000	$ 11,715,920	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	$ -	$ -	$ -	$ 13,187,333	0.00%
2024	$ -	$ -	$ -	$ 12,163,467	0.00%
2023	$ -	$ -	$ -	$ 11,228,500	0.00%
2022	$ -	$ -	$ -	$ 10,977,033	0.00%
2021	$ -	$ -	$ -	$ 12,248,574	0.00%
2020	$ -	$ -	$ -	$ 12,004,511	0.00%
2019	$ -	$ -	$ -	$ 12,092,278	0.00%
2018	$ -	$ -	$ -	$ 11,772,378	0.00%

SUPPLEMENTARY INFORMATION

Mason County School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets						
Cash and cash equivalents	$ 142,632	$ 459,317	$ 39,873	$ 367,379	$ -	$ 1,009,201
Receivables	-	150	-	-	-	150
Total assets	$ 142,632	$ 459,467	$ 39,873	$ 367,379	$ -	$ 1,009,351
Liabilities						
Accounts payable	$ 695	$ 11,649	$ -	$ -	$ -	$ 12,344
Total liabilities	695	11,649	-	-	-	12,344
Fund balances						
Restricted	$ 141,937	$ 438,549	$ 39,873	$ 367,379	$ -	$ 987,738
Assigned	-	9,269	-	-	-	9,269
Total fund balances	141,937	447,818	39,873	367,379	-	997,007
Total liabilities and fund balances	$ 142,632	$ 459,467	$ 39,873	$ 367,379	$ -	$ 1,009,351

Mason County School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
Year Ended June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues						
From local sources:						
Property taxes	$ -	$ -	$ -	$ 1,699,524	$ -	$ 1,699,524
Other local revenue	105,961	1,121,594	-	-	-	1,227,555
Intergovernmental state:						
SEEK	-	-	233,062	1,122,860	-	1,355,922
On-behalf	-	-	-	-	1,557,409	1,557,409
Total revenues	105,961	1,121,594	233,062	2,822,384	1,557,409	5,840,410
Expenditures						
Instruction	101,092	965,661	-	-	-	1,066,753
Support services:						
Student	-	158	-	-	-	158
Instruction staff	-	3,289	-	-	-	3,289
Student transportation	224	99,241	-	-	-	99,465
Debt service						
Principal	-	-	-	-	2,420,000	2,420,000
Interest	-	-	-	-	1,413,820	1,413,820
Total expenditures	101,316	1,068,349	-	-	3,833,820	5,003,485
Excess of revenues over (under) expenditures	4,645	53,245	233,062	2,822,384	(2,276,411)	836,925
Other financing sources (uses)						
Transfers in	-	-	-	-	2,276,411	2,276,411
Transfers out	-	-	(233,062)	(2,818,890)	-	(3,051,952)
Total other financing sources (use	-	-	(233,062)	(2,818,890)	2,276,411	(775,541)
Net change in fund balances	4,645	53,245	-	3,494	-	61,384
Fund balances - beginning	137,292	394,573	39,873	363,885	-	935,623
Fund balances - end of year	$ 141,937	$ 447,818	$ 39,873	$ 367,379	$ -	$ 997,007

Mason County School District
Combining Statement of School Activity Funds
Year Ended June 30, 2025

	Fund Balance June 30, 2024	Receipts	Disbursements	Fund Balance June 30, 2025
Mason County High School	$ 326,083	$ 809,809	$ 766,144	$ 369,748
Mason County Middle School	50,715	202,268	199,109	53,874
Mason County Intermediate School	6,314	21,628	19,994	7,948
Straub Elementary School	11,461	25,707	20,920	16,248
Totals	$ 394,573	$ 1,059,412	$ 1,006,167	$ 447,818

Mason County School District
Statement of School Activity Funds
Mason County High School
Year Ended June 30, 2025

Fund Name	Fund Balance June 30, 2024	Receipts	Disbursements	Fund Balance June 30, 2025
CLASS OF 2025	$ 4,861	$ 1,615	$ 5,835	$ 641
ACT PREP	8	-	8	-
AP EXAMS	10,358	1,555	4,885	7,028
ARCHERY	18,548	17,655	12,051	24,152
ART CLUB	3,379	2,477	4,121	1,735
ACADEMIC TEAM	43	219	-	262
ATHLETICS	14,544	160,827	136,116	39,255
ATHLETIC UNIFORMS	10,496	-	10,496	-
BAND	1,233	28,400	28,347	1,285
BOYS BASEBALL	8,962	32,346	35,228	6,080
BOYS BASKETBALL	8,470	28,357	26,914	9,913
MCHS BOOK CLUB	25	-	25	-
BETA CLUB	1,708	3,049	3,214	1,543
BOYS GOLF	3,197	18,122	13,491	7,828
BIOMEDICAL	184	228	240	172
BOYS SOCCER	7,617	5,734	7,227	6,124
CROSS COUNTRY	4,031	21,159	14,279	10,911
CHEERLEADING	4,165	8,753	8,620	4,298
CLASS OF ACCOUNTS	896	-	896	-
CONCESSIONS	519	61,411	61,384	545
DANCE TEAM	308	-	308	-
DISTRICT COMBINE	426	-	426	-
MCHS DEBATE TEAM	219	-	219	-
FOOTBALL	3,586	48,092	29,772	21,906
FBLA	8,010	15,828	16,112	7,725
FCCLA	29,649	61,338	75,395	15,591
FFA	22,807	48,899	42,919	28,788
GIRLS BASKETBALL	10,761	11,808	17,539	5,030
GENERAL FUND	6,387	20,503	7,893	18,996
GIRLS GOLF	2,814	2,200	2,263	2,751
GREENHOUSE	18,409	1,486	6,847	13,048
GIRLS SOCCER	881	7,994	4,783	4,092
HELP DESK	180	262	30	412

Mason County School District
Statement of School Activity Funds
Mason County High School
Year Ended June 30, 2025

	Fund Balance June 30, 2024	Receipts	Disbursements	Fund Balance June 30, 2025
HOSA	283	7,351	6,300	1,334
KNIGHTS	3,639	-	3,639	-
LIBRARY	278	647	817	108
MUSIC CHOIR	326	25,479	6,695	19,110
MUSIC ORCHESTRA	7,077	10,507	8,269	9,315
MUSIC PRODUCTION	18,673	28,476	26,834	20,315
MUSIC PATRON	9,291	1,050	-	10,341
MUSIC SCHOLARSHIP	3,793	2,910	1,400	5,303
MUSIC TUX & DRESS	1,459	1,397	1,335	1,521
NATIONAL HONOR SOCIETY	712	75	316	471
PHYSICS & AVIATION	514	-	514	-
PROJECT GRADUATION	90	1,300	1,390	-
PRACTICAL LIVING	264	1,774	713	1,325
RED CROSS	242	-	242	-
MCHS REGION 12 GIRLS GOLF	607	-	-	607
MCHS REGION 9 FCCLA	887	1,951	1,940	898
ROBIOTICS	5	514	-	519
ROTC	1,921	3,475	4,392	1,004
STUDENT ACTIVITIES	4,767	-	2,099	2,668
PSAT	425	-	56	369
SOFTBALL	11,551	21,114	25,993	6,672
STUDENT COUNCIL	20	3,760	2,611	1,169
SOCCER 38TH DISTRICT	1	2,877	2,543	334
SPECIAL ED/STUDENT NEEDS	4,397	4,941	5,903	3,435
STLP	262	-	262	-
SWIM TEAM	3,026	-	1,612	1,414
TECH ED	4,131	1,815	2,450	3,496
TENNIS	3,394	3,707	3,832	3,269
TRACK	19,279	47,369	44,191	22,457
TSA	494	139	634	-
VOLLEYBALL	5,951	6,619	6,270	6,300
WEIGHT ROOM	4,502	-	4,502	-
WATERSHED PROJECT	1,173	-	869	304
WRESTLING	1,704	12,891	10,933	3,662
YEARBOOK	3,089	3,805	4,997	1,897
Y CLUB	175	3,549	3,708	16
TOTAL	$ 326,083	$ 809,809	$ 766,144	$ 369,744

Mason County School District
Schedule of Federal Expenditures
Year Ended June 30, 2025

Federal Grantor *Pass-Through Grantor* Program or Cluster Title	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster (IDEA)			
Special Education_Grants to States (IDEA, Part B)	84.027	3810002 21	$ 577
	84.027	3810002 22	79,248
	84.027	3810002 23	80,241
	84.027	3810002 24	456,957
	84.027	4910002 21	13,328
Special Education_Preschool Grants (IDEA, Preschool)	84.173	3800002 23	2,640
	84.173	3800002 24	45,359
			678,350
Title I Grants to Local Educational Agencies	84.010	3100002 23	24,827
	84.010	3100002 24	1,007,781
			1,032,608
Career and Technical Education	84.048	3710002 22	2,744
	84.048	3710002 24	35,571
			38,315
Rehabilitation Services Vocational Grants to States	84.126		21,386
			21,386
Gaining Early Awareness and Readiness	84.334	260000775	8,948
			8,948
Rural Education	84.358	3140002 23	1,404
	84.358	3140002 24	76,442
			77,846
Title II Supporting Effective Instruction State Grants	84.367	3230002 24	148,681
			148,681
Student Support and Academic Enrichment	84.424	3420002 24	71,517
			71,517
Education Stabilization Fund Under the Coronavirus	84.425U	4300002 21	193,506
	84.425U	4300007 21	15,272
			208,778
Passed through NKCES			
School Safety National Activities	84.184		121,176
			121,176
Total U.S Department of Education			2,407,605

Mason County School District
Schedule of Federal Expenditures
Year Ended June 30, 2025

Federal Grantor *Pass-Through Grantor* Program or Cluster Title	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditures
U.S Department of Agriculture			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005 24	98,911
	10.553	7760005 25	568,703
National School Lunch Program	10.555	7750002 24	193,664
	10.555	7750002 25	1,053,319
Summer Food Service Program for Children	10.559	7690024 24	298
	10.559	7740023 24	2,901
Commodities	10.555		100,962
			2,018,758
Child and Adult Care Food Program	10.558	7790021 24	244
	10.558	7790021 25	16,869
	10.558	7800016 24	17
	10.558	7800016 25	1,142
			18,272
State Administrative Expenses	10.560	7700001 24	553
			553
Passed through Kentucky Department of Agriculture			
Local Food for Schools	10.185		22,614
			22,614
Total U.S Department of Agriculture			2,060,197
U.S Department of Health and Human Services			
Passed through Kentucky Department of Education			
Stop School Violence	93.243	2500002 23	117,236
	93.243	2500002 24	230,587
			347,823
Total U.S Department of Health and Human Services			347,823

Mason County School District
Schedule of Federal Expenditures
Year Ended June 30, 2025

Federal Grantor *Pass-Through Grantor* Program or Cluster Title	**Federal Assistance Listing**	**Pass Through Grantor's Number**	**Federal Expenditures**
U.S Department of Labor			
Passed through TENCO			
WIOA Youth Activities	17.259	TENCO	17,543
			17,543
Total U.S Department of Labor			17,543
U.S Department of Defernse			
WIOA Youth Activities	12.556		6,000
			6,000
Total U.S Department of Defense			6,000
Total Federal Expenditures			$ 4,839,168

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Mason County School District (District) under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 modified 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, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2025.

NOTE 5: COMMODITIES

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

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	$	2,778,971
Federal grants reported on the Statement or Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund		1,959,235
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund		100,962
Schedule of expenditures of federal awards	$	4,839,168

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Mason County School District (District) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated December 8, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

Report on 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.

We noted certain matters that we reported to management of the District in a separate letter dated December 8, 2025.

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.

Maddox & Associates CPAs Inc.
Augusta, Kentucky
December 8, 2025

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Mason County School District's (District) compliance with the types of compliance requirements identified as subject to audit 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, 2025. 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.

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 programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities of those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section or our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maddox & Associates CPAs Inc.
Fort Thomas, Kentucky
December 8, 2025

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level?	No
Were there any significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance at the financial statement level?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiences in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR 200.516(a)?	No
Major Programs Child Nutrition Cluster	AL# 10.553/10.555/10.559
Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: all others
Low risk auditee under 2 CFR 200.520	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
None

NO PRIOR FINDINGS

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

In planning and performing our audit of the financial statements of Mason County School District (District) for the year ended June 30, 2025, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated December 8, 2025 contains our report on the District's internal control. This letter does not affect our report dated December 8, 2025 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at our convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

Maddox & Associates CPAs Inc.
December 8, 2025

Central Office

2025-01. During our testing of disbursements, we noted that purchases from Wal-Mart were being charged to the District's credit card instead of being charged on the Wal-Mart account. The timing of purchase dates and dates when the charges appear on the credit card statement did not always match and made it difficult for us and for the District to reconcile the receipts for Wal-Mart purchases. We recommend that the District use their established Wal-Mart account for those purchases.

District Response

The District has changed its procedures and now requires that Wal-Mart purchases be made using the established Wal-Mart account.

2025-02. During our testing of payroll expenses, we noted that some speech-language pathologists are not being paid in accordance with the District's approved pay schedules. The District must ensure to pay from a single salary schedule.

District Response

The District will ensure that the speech-language pathologists are paid from a single salary schedule.

Mason County High School

No comments.

Prior year comment 2024-01 was not repeated.

Mason County Middle School

2025-03. During our testing of school activity fund receipts, we noted instances where deposits were not being made timely as required by *Accounting Procedures for Kentucky School Activity Funds* (Redbook). This is a repeat of prior year comment 2024-02.

District Response

Redbook procedures will be reviewed with the appropriate staff.

Mason County Intermediate School

No comments.

Straub Elementary School

No comments.