

**MASON CONSOLIDATED SCHOOLS**  
Erie, Michigan  
ANNUAL FINANCIAL REPORT  
June 30, 2022

# MASON CONSOLIDATED SCHOOLS

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June 30, 2022

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## Independent Auditor's Report

Board of Education  
Mason Consolidated Schools  
Erie, Michigan 48133

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools, as of and for the year ended June 30, 2022, and related notes to the financial statements, which collectively comprise the School 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, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for 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 *Governmental 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 Mason Consolidated Schools 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 audit opinions.

### Responsibilities of Management for the Financial Statements

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

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 Mason Consolidated Schools' 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 Responsibility 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 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 *Governmental Auditing Standards*, we:

- Exercise professional judgement 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 the internal controls 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 Mason Consolidated Schools' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mason Consolidated Schools' 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, and required pension and other postemployment benefit (OPEB) schedules, as identified 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mason Consolidated Schools' basic financial statements. The other supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 other supplemental information, as identified in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of Mason Consolidated School'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 Mason Consolidated School'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 Mason Consolidated School's internal control over financial reporting and compliance.

*Cadley Hehl Sabo + Collins*

October 25, 2022

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education  
Mason Consolidated Schools  
Erie, Michigan 48133

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, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mason Consolidated Schools' basic financial statements and have issued our report thereon dated October 25, 2022.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mason Consolidated Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mason Consolidated School's internal control. Accordingly, we do not express an opinion on the effectiveness of Mason Consolidated School'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 over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

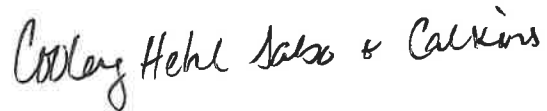
As part of obtaining reasonable assurance about whether Mason Consolidated Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Mason Consolidated Schools' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Mason Consolidated Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Mason Consolidated Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

### **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.



October 25, 2022



# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance

Board of Education  
Mason Consolidated Schools  
Erie, Michigan 48133

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

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

We have audited Mason Consolidated Schools' 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 Mason Consolidated Schools' major federal programs for the year ended June 30, 2022. Mason Consolidated Schools' 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, Mason Consolidated Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### **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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mason Consolidated Schools 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 Mason Consolidated Schools' compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

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

#### **Auditor's Responsibilities for the Audit of Compliance**

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 Mason Consolidated Schools' 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 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 Mason Consolidated Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 Mason Consolidated Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mason Consolidated Schools' 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 Mason Consolidated Schools' 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.

#### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on Mason Consolidated Schools' response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Mason Consolidated Schools' response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

#### **Report on Internal Control over Compliance**

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Mason Consolidated Schools' response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Mason Consolidated Schools' response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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.

*Coolley Hehl Sabo + Calkins*

October 25, 2022

# MASON CONSOLIDATED SCHOOLS

## *Management's Discussion and Analysis Year Ended June 30, 2022*

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This section of Mason Consolidated Schools annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the School District's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Special Revenue Funds, and the Capital Projects Fund.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Mason Consolidated Schools financially as a whole. The ***District-Wide Financial Statements***, which include the Statement of Net Position and the Statement of Activities, provide information about the activities of the School District as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the School District's operations in more detail than the ***District-Wide Financial Statements*** by providing information about the School District's most significant funds - the General Fund and the Sinking Capital Projects Fund with all other funds presented in one column as nonmajor funds. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

#### Basic Financial Statements

*District-Wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds*

*Pension Schedules*

*OPEB Schedules*

*(Required Supplemental Information)*

*Other Supplemental Information*

# MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis  
Year Ended June 30, 2022*

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## **District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, childcare, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

## **Fund Financial Statements**

The School District's Fund Financial Statements provide detailed information about the most significant or "major" funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

**Governmental funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation format in the financial section.

# MASON CONSOLIDATED SCHOOLS

## *Management's Discussion and Analysis Year Ended June 30, 2022*

### District–Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2022 and 2021.

**Table 1**

#### Comparative Statement of Net Position

	June 30, 2022	June 30, 2021
Current and other assets	\$5,778,855	\$6,179,480
Capital assets	4,884,808	3,218,911
<b>Total Assets</b>	10,663,663	9,398,391
Deferred outflows of resources	4,310,466	6,151,274
Current and other liabilities	1,924,452	1,542,092
Long-term liabilities	15,986,766	24,689,167
<b>Total Liabilities</b>	17,911,218	26,231,259
Deferred inflows of resources	8,774,641	2,912,344
Net Position		
Net investment in capital assets	4,265,387	3,218,911
Restricted for technology enhancement	447,517	380,638
Restricted for food service	302,907	177,674
Restricted for capital projects	556,745	1,390,685
Unrestricted (deficit), restated	(17,284,286)	(18,761,846)
<b>Total Net Position</b>	(\$11,711,730)	(\$13,593,938)

As depicted in Table 1, the School District's net position was a deficit of \$11,711,730 at June 30, 2022. Of this amount, a negative \$17,284,286 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The operating results of the General Fund and the changes in the net pension and OPEB liabilities will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for the fiscal years ended June 30, 2022 and 2021.

**MASON CONSOLIDATED SCHOOLS**

*Management's Discussion and Analysis  
Year Ended June 30, 2022*

**District–Wide Financial Analysis - Concluded**

**Table 2**

**Comparative Statement of Activities**

	June 30, 2022	June 30, 2021
<b>Revenues</b>		
Program revenues:		
Charges for services	\$91,251	\$32,768
Operating grants and contributions	3,382,651	3,660,741
	3,473,902	3,693,509
General revenues:		
Property taxes	1,540,801	1,511,593
State foundation allowance	7,720,409	7,399,124
Other general revenues	633,976	152,248
	9,895,186	9,062,965
 Total Revenues	 13,369,088	 12,756,474
 <b>Functions/Program Expenses</b>		
Instruction	6,687,028	7,873,122
Support services	3,938,357	4,376,181
Community services	27,641	49,776
Food services	568,025	450,570
Depreciation	265,829	190,510
	11,486,880	12,940,159
 Total Expenses	 11,486,880	 12,940,159
 <b>Increase (Decrease) in Net Position</b>	 \$1,882,208	 (\$183,685)

As indicated in Table 2, the cost of *all governmental* activities this year was \$11,486,880. Of this amount, \$3,473,902 was subsidized with revenue generated from charges for services, grants, and other contributions with the remaining costs financed with general revenues.

The School District experienced an increase in net position this year of \$1,882,208. Revenues increased by \$612,614. Expenses decreased by \$1,453,279 from the prior year. The increase in net position differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net position appears on page 22.

## MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis  
Year Ended June 30, 2022*

### Fund Financial Analysis

As noted earlier, the School District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether Mason Consolidated Schools is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,945,272 which is a decrease of \$692,116 from last year. The changes by major and nonmajor funds are as follows:

	<b>General Fund</b>	<b>Sinking Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Fund balances - Beginning of year</b>	\$2,516,816	\$1,390,685	\$729,887	\$4,637,388
Increase (decrease)	(71,918)	(833,940)	213,742	(692,116)
<b>Fund balances - End of year</b>	\$2,444,898	\$556,745	\$943,629	\$3,945,272

The School District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

<b>Revenues</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Percent Change</b>
Local sources	\$1,267,576	\$1,177,885	7.6%
State sources	9,754,982	9,432,225	3.4%
Federal sources	663,536	653,108	1.6%
Interdistrict and other sources	1,255,798	502,232	150.0%
Total revenues	\$12,941,892	\$11,765,450	10.0%

The increase in local sources is mainly due to an increase in property taxes and the reinstatement of pay to participate fees for this fiscal year. The increase in State source revenue is mainly due to an increase in State school aid during the current fiscal year. The increase in Federal sources is due to the addition of COVID-19 funding during the current fiscal year. The increase in interdistrict and other sources is due to proceeds from a purchase agreement to purchase buses and lease commitment proceeds from a new copy lease. The following page reflects an increase in instructional expenditures, which are mainly due to an increase in salaries and employee benefits. There was an increase in support services expenditures, mainly due to the purchase of 8 school buses and the renovations to the natatorium. There was a slight increase in community services.



## MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis  
Year Ended June 30, 2022*

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### Fund Financial Analysis – Concluded

<b>Expenditures</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Percent Change</b>
Instruction	\$7,658,893	\$7,031,874	8.9%
Support services	5,311,629	3,889,893	36.5%
Community services	43,288	41,604	4.0%
Total expenditures	<u>\$13,013,810</u>	<u>\$10,963,371</u>	18.7%

### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Board of Education to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

#### Beginning Budget versus Ending Budget:

Revenues: The original budget for revenues was \$11,202,758 versus the final budget of \$12,266,971. Major adjustments were as follows:

- The Foundation Allowance increased from \$8,111 to \$8,700 per student, based on 1044.18 FTE's.
- All grants are budgeted in full; however, revenues are only recognized for corresponding expenditures. Some grant adjustments were:
  - The addition of ESSER Grant Funds in the amount of \$387,727.
  - The addition of Emergency Connectivity Funds in the amount of \$64,680.
  - The addition in the amount of \$3,027, from ORS for Forfeiture funds.
  - Adjustment to allocation for MPSERS cost offset in the amount of \$71,411.
  - The addition of GEER Grant Funds in the amount of \$55,521.

# MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis  
Year Ended June 30, 2022*

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## **General Fund Budgetary Highlights (Concluded)**

### **Beginning Budget versus Ending Budget (Concluded):**

Expenditures: The original budget for expenditures and transfers was \$11,618,906 versus the final budget of \$12,819,758. Major components of the original budget for expenditures versus final projections are as indicated below:

- The Basic Program budget was increased \$478,439.
- The Operation and Maintenance budget was increased \$722,413.
- The budget was adjusted for the corresponding increases/decreases relating to the grant awards mentioned on the previous page.

### **Final Budget versus Actual Figures:**

Revenues: General Fund actual revenue was \$12,941,892 versus a budget of \$12,266,971. Major components to the adjustments are as follows:

- All state and federal grants are budgeted in full; however revenues are only recognized for corresponding expenditures.
- The District did not budget for loan proceeds and capital lease financing, which amounted to \$778,359.

Expenditures: Actual expenditures were \$13,013,810 versus a budget of \$12,819,758. Major components of final budget versus final actual expenditures are discussed below:

- All state and federal grants are budgeted in full; however not fully expended by fiscal year end.
- Basic Programs reflects a variance of \$61,071.
- General Administration reflects a variance of \$3,878.
- Added Needs reflects a variance of \$56,306.
- Operation and Maintenance reflects a variance of \$310,011.
- Pupil Transportation reflects a variance of \$699,442, due to not budgeting the buses received from an installment purchase agreement.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2022, the School District had \$11,490,699 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, machinery and equipment, buses, other vehicles, and intangible right-to-use assets for leased equipment. Capital asset additions of \$2,066,810 (net of disposals) consisted of renovations to the natatorium, 8 school buses, and intangible assets from a copy lease. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

# MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis  
Year Ended June 30, 2022*

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## **Capital Asset and Debt Administration (Concluded)**

### **Debt Administration**

During the year, the School District had proceeds of \$730,733 from an installment purchase agreement for the purchase of 8 buses. At June 30, 2022, the School District had \$619,421 in outstanding purchase agreements payable. Other obligations, which include accrued vacation and sick pay, were \$26,625. More detailed information about long-term liabilities is presented in Note 11 to the Financial Statements.

### **Development of the 2022-23 Fiscal Year Budget**

Our elected officials and administration consider many factors when setting the School District's 2022-23 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023 fiscal year is 90 percent of the October 2021 student count and 10 percent of the previous February's count. The District projected a blended pupil count of 1,043.28 for budgeting purposes. Approximately 77% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a projection of \$395 per pupil foundation increase to reflect a foundation of \$9,095 per pupil; the foundation had not been set by the legislature at the time of the budget adoption.

The School District has been actively scrutinizing processes and procedures in an attempt to control costs and keep the budget in line with projected revenues. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts.

The budget for the 2022-23 fiscal year was adopted on June 1, 2022. Once the final student count and related per pupil funding is validated, the School District will amend the budget accordingly and will continue to do so periodically throughout the fiscal year as changes to the revenue and expenditure budgets are needed.

### **Contacting Mason Consolidated Schools Business Office**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, 2400 Lakeside, Erie, MI 48133.

## BASIC FINANCIAL STATEMENTS

## DISTRICT - WIDE FINANCIAL STATEMENTS

**MASON CONSOLIDATED SCHOOLS**

*Statement of Net Position*  
*June 30, 2022*

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$3,322,061
Accounts/taxes receivable	3,542
Due from other governmental units	2,276,401
Inventory	5,488
Deposits	8,979
Prepaid	162,384
Capital assets less accumulated depreciation and amortization	4,884,808
	10,663,663
<b>Deferred Outflows of Resources</b>	
Deferred amount of pension expense	3,053,164
Deferred amount of OPEB expense	1,257,302
	4,310,466
<b>Liabilities</b>	
Accounts payable	438,931
Salaries payable	617,838
Due to other governmental units	302,222
Other liabilities	445,898
Unearned revenue	28,694
Long-term liabilities:	
Lease financing, due in one year	9,229
Lease financing, due in more than one year	29,315
Long-term debt, due in one year	81,640
Long-term debt, due in more than one year	564,406
Net pension liability	14,483,990
Net OPEB liability	909,055
	17,911,218
<b>Deferred Inflows of Resources</b>	
Deferred amount of net pension liability	5,082,422
Deferred amount of net OPEB liability	3,692,219
	8,774,641
<b>Net Position (Deficit)</b>	
Net investment in capital assets	4,265,387
Restricted for technology enhancement	447,517
Restricted for food service	302,907
Restricted for capital projects	556,745
Unrestricted (deficit)	(17,284,286)
	(\$11,711,730)

See accompanying notes to the basic financial statements.

**MASON CONSOLIDATED SCHOOLS**

*Statement of Activities*  
*Year Ended June 30, 2022*

<b>Functions/Programs</b>	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities:				
Instruction	\$6,687,028	\$8,821	1,752,867	(\$4,925,340)
Support services	3,938,357	46,683	950,022	(2,941,652)
Community services	27,641	0	11,744	(15,897)
Food services	568,025	35,747	668,018	135,740
Depreciation and amortization (unallocated)	265,829	0	0	(265,829)
<b>Total Governmental Activities</b>	<b>\$11,486,880</b>	<b>\$91,251</b>	<b>\$3,382,651</b>	<b>(8,012,978)</b>
General Revenues:				
Taxes:				
Property taxes, levied for general operations				1,190,499
Property taxes, levied for technology				350,302
State of Michigan aid, unrestricted				7,720,409
Interest income				20,941
Gain on sale of capital assets				800
Other				612,235
Total General Revenues				9,895,186
<b>Change in Net Position</b>				1,882,208
Net Position - Beginning of year				(13,593,938)
Net Position - End of year				(\$11,711,730)

See accompanying notes to the basic financial statements.

## FUND FINANCIAL STATEMENTS



**MASON CONSOLIDATED SCHOOLS**

*Governmental Funds  
Balance Sheet  
June 30, 2022*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$1,805,049	\$501,520	\$1,015,492	\$3,322,061
Accounts/taxes receivable	3,542	0	0	3,542
Due from other governmental units	2,276,401	0	0	2,276,401
Due from other funds	1,129	55,401	22,852	79,382
Inventory	0	0	5,488	5,488
Deposits	8,979	0	0	8,979
Prepaid	160,395	0	1,989	162,384
	<u>\$4,255,495</u>	<u>\$556,921</u>	<u>\$1,045,821</u>	<u>\$5,858,237</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$379,973	\$176	\$58,782	\$438,931
Salaries payable	617,838	0	0	617,838
Other liabilities	443,238	0	2,660	445,898
Unearned revenue	967	0	27,727	28,694
Due to other governmental units	290,481	0	11,741	302,222
Due to other funds	78,100	0	1,282	79,382
	<u>1,810,597</u>	<u>176</u>	<u>102,192</u>	<u>1,912,965</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventory	0	0	5,488	5,488
Prepaid	160,395	0	1,989	162,384
Restricted for:				
Technology enhancement	0	0	446,205	446,205
Capital projects	0	556,745	0	556,745
Food service	0	0	296,742	296,742
Committed to:				
Building and grounds	176,148	0	0	176,148
Student and school activity	0	0	193,205	193,205
Unassigned	2,108,355	0	0	2,108,355
	<u>2,444,898</u>	<u>556,745</u>	<u>943,629</u>	<u>3,945,272</u>
Total Liabilities and Fund Balances	<u>\$4,255,495</u>	<u>\$556,921</u>	<u>\$1,045,821</u>	<u>\$5,858,237</u>

See accompanying notes to the basic financial statements.

**MASON CONSOLIDATED SCHOOLS**

*Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
Year Ended June 30, 2022*

<b>Total Fund Balances - Governmental Funds</b>		\$3,945,272
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>		
Cost of the capital assets	\$11,490,699	
Accumulated depreciation and amortization	(6,605,891)	
		4,884,808
Deferred outflows of resources from subsequent pension expense from measurement date		1,841,710
Deferred outflows of resources from subsequent OPEB expense from measurement date		369,385
Deferred outflows of resources related to pension investment returns, changes in assumptions and changes in experience		1,211,454
Deferred outflows of resources related to OPEB investment returns, changes in assumptions and changes in experience		887,917
Deferred inflows of resources resulting from net pension liability		(5,082,422)
Deferred inflows of resources resulting from net OPEB liability		(3,692,219)
<p>Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:</p>		
Net pension liability	(14,483,990)	
Net OPEB liability	(909,055)	
Notes payable	(619,421)	
Lease commitments	(38,544)	
Compensated absences	(26,625)	
		(16,077,635)
<b>Total Net Position - Governmental Activities</b>		<b>(\$11,711,730)</b>

See accompanying notes to the basic financial statements.

**MASON CONSOLIDATED SCHOOLS**

*Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2022*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
<b>Revenues</b>				
Local sources	\$1,267,576	\$6,202	\$514,811	\$1,788,589
State sources	9,754,982	0	48,823	9,803,805
Federal sources	663,536	0	635,719	1,299,255
Interdistrict and other sources	476,639	0	0	476,639
<b>Total Revenues</b>	<b>12,162,733</b>	<b>6,202</b>	<b>1,199,353</b>	<b>13,368,288</b>
<b>Expenditures</b>				
Current:				
Instruction	7,658,893	0	124,661	7,783,554
Support services	5,311,629	683	275,244	5,587,556
Community service	43,288	0	0	43,288
Food service	0	0	583,672	583,672
Interdistrict and other uses	0	0	2,034	2,034
Capital outlay	0	839,459	0	839,459
<b>Total Expenditures</b>	<b>13,013,810</b>	<b>840,142</b>	<b>985,611</b>	<b>14,839,563</b>
Excess (Deficiency) of Revenues Over Expenditures	(851,077)	0	213,742	(1,471,275)
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	730,733	0	0	730,733
Lease financing	47,626	0	0	47,626
Sale of capital assets	800	0	0	800
<b>Total Other Financing Sources (Uses)</b>	<b>779,159</b>	<b>0</b>	<b>0</b>	<b>779,159</b>
<b>Net Change in Fund Balances</b>	<b>(71,918)</b>	<b>(833,940)</b>	<b>213,742</b>	<b>(692,116)</b>
Fund Balances - Beginning of year	2,516,816	1,390,685	729,887	4,637,388
Fund Balances - End of year	\$2,444,898	\$556,745	\$943,629	\$3,945,272

See accompanying notes to the basic financial statements.

## MASON CONSOLIDATED SCHOOLS

*Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2022*

<b>Total Net Change in Fund Balances - Governmental Funds</b>	(\$692,116)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense:</p>	
Depreciation and amortization expense	(\$265,829)
Capital outlay	1,931,726
	1,665,897
<p>Repayments of long-term debt and borrowing of long-term debt are expenditures and other financing sources governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, the amounts consist of:</p>	
Loan proceeds	(730,733)
Installment purchase agreement reduction	111,312
Lease financing	(47,626)
Lease commitment reduction	9,082
<p>The statement of net position reports the net pension and OPEB liabilities and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.</p>	
Net change in pension liability	6,820,922
Net change in OPEB liability	2,446,972
Net change in the deferred inflow of resources related to the net pension liability	(4,813,174)
Net change in the deferred inflow of resources related to the net OPEB liability	(1,049,123)
Net change between actual pension contributions and the cost of benefits earned, net of employer contributions	(1,459,901)
Net change between actual OPEB contributions and the cost of benefits earned, net of employer contributions	(380,907)
Decreases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the governmental funds.	1,603
	1,603
<b>Change in Net Position of Governmental Activities</b>	<b>\$1,882,208</b>

See accompanying notes to the basic financial statements.

# MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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**Note 1**      **Description of the School District and Reporting Entity**

The School District operates under a locally elected seven member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. This Board of Education controls the School District's instructional and support facilities.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mason Consolidated Schools, this includes general operations, athletics, food service, technology, sinking, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

**Note 2**      **Summary of Significant Accounting Policies**

The financial statements of Mason Consolidated Schools have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the more significant of the School District's accounting policies.

**Basis of Presentation**

**A. District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. All of the School District's district-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Individual major governmental funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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**Note 2**     **Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. The General Fund accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The Sinking Fund accounts for property taxes levied for major capital improvements.

The School District reports the following nonmajor governmental funds:

The Food Service Fund, the Student and School Activity Fund, and the Technology Fund are the School District's nonmajor governmental funds. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

**Economic Dependency** – The School District received approximately 80% of the General Fund revenue from the State of Michigan. Due to the significance of this revenue source to the School District, the School District is considered economically dependent.

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Additionally, the School District's external investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice and penalty.

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

**Note 2** Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

**Property Tax Receivable** - Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent February 15 of the following year. A portion of property taxes assessed are received by the School District from the State of Michigan in the form of a Foundation Allowance. The Foundation Allowance represents the difference between an amount guaranteed by the state and the per pupil tax revenue generated from an 18 mill levy (subject to Headlee rollback) on all non-homestead property. To meet the district per pupil guarantee, the state levies 6 mills on all taxable property on a statewide basis.

**Prepaid Assets** - Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Inventory** - Inventories are valued at lower of cost or net realizable value, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as expenditures when received.

**Capital Assets** - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities' column of the district-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and building improvements	50 years
Machinery and equipment	5-20 years
Vehicles	8 years

**Interfund Balances** - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/due from." These amounts are eliminated in the governmental activities' column of the statement of net position.

# MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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## **Note 2** **Summary of Significant Accounting Policies (Continued)**

### **Basis of Presentation (Continued)**

#### **C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

**Compensated Absences** - Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's employment contracts. The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is to be paid using expendable available financial resources. These amounts are recorded in the account "other liabilities" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**Accrued Liabilities and Long-Term Obligations** - All payables, accrued liabilities and long-term obligations are reported in the district-wide 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, claims and judgments, compensated absences, special termination benefits and contractually required pension and OPEB contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

**Unavailable/Unearned Revenue** - Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned.

**Deferred Outflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has items that qualify for reporting in this category. They are deferred outflows of resources related to pension and deferred outflows of resources related to OPEB reported in the government-wide statement of net position. The School District reports deferred outflows of resources related to the deferred pension and OPEB plan costs.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The district reports deferred inflows of resources related to unavailable revenue, revenue in support of pension contributions made subsequent to the measurement date, and deferred pension and OPEB plan costs.



MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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**Note 2**     **Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Concluded)**

**Net Position** - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The components of net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position is unrestricted when other net position does not meet the definition of net investment in capital assets or is restricted and is available for general use. Restricted resources should be used first, followed by unrestricted amounts.

**Pension and Other Post-Employment Benefits** – For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public Schools Employees Retirement System (MPSERS), and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (included refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are stated at fair value.

**Interfund Transactions** - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

**Fund Balance Non-Spendable, Restricted, Committed, Assigned, and Unassigned** - The fund balance is categorized as non-spendable, restricted, committed, assigned, or unassigned based on the relative strength of the spending constraints. The School Board has the authority to place funds under the committed category. The Superintendent and his/her designee has the authority to place funds under the assigned category. Restricted resources should be used first, followed by committed funds, assigned amounts, and then unassigned amounts. The School Board desired to maintain, in stable economic times, a fund balance of at least 10% of the District General Fund annual operating expenditures.

**D. Estimates** - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**E. Extraordinary and Special Items** - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2022.

## MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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### **Note 2** **Summary of Significant Accounting Policies (Concluded)**

#### **Basis of Presentation (Concluded)**

**F. Budgetary Policies** - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

#### **G. Restricted Assets**

The cash and investments for food service, technology enhancement, and capital projects are restricted for the specific purposes. Restricted assets on the statement of net position and the governmental fund balance sheet represent the cash that can only be used for the purpose for which the revenue was received.

#### **H. Reclassifications**

Certain prior year amounts have been reclassified to conform with current year presentation.

#### **I. Subsequent Events**

The School District's management evaluated subsequent events from June 30, 2022 through October 25, 2022, the date the financial statements were available to be issued.

### **Note 3** **Stewardship, Accountability and Compliance**

The School District shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds. In the required supplemental information, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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**Note 3**     **Stewardship, Accountability and Compliance (Concluded)**

During the year ended June 30, 2022, the School District incurred expenditures in certain budgetary functions which were in excess of the amounts appropriated. There were no deficit fund balances for any of the School District's funds required to be budgeted. For the year ended June 30, 2022, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund	\$12,819,758	\$13,017,934	(\$198,176)
Student and School Activity Fund	100,000	103,262	(3,262)

**Note 4**     **Deposits and Investments**

As of June 30, 2022, the School District's deposits and investments are all on deposit with First Merchants Bank, Fifth Third Bank, Flagstar Bank, and Huntington Bank.

**Interest rate risk.** In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

**Credit risk.** The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the School District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the School District will do business in accordance with the School District's investment policy.

**Concentration of credit risk.** The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to the School District. The School District has \$3,679,469 invested in checking accounts and money markets. The School District's deposits are insured by the FDIC in the amount of \$360,787. Uninsured deposits are \$3,318,682.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Schools District's investment policy, and pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the School District will do business in accordance to the School District's investment policy.

**Foreign currency risk.** The School District is not authorized to invest in investments which have this type of risk.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

**Note 5**      **Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated:				
Land	\$8,484	\$0	\$0	\$8,484
Construction in progress	0	1,097,934	251,545	846,389
	8,484	1,097,934	251,545	854,873
Capital assets being depreciated:				
Land improvements	1,502,452	0	0	1,502,452
Buildings and building improvements	6,993,309	253,839	18,111	7,229,037
Machinery and equipment	981,082	53,139	0	1,034,221
Buses	101,448	730,733	50,724	781,457
Vehicles	41,033	0	0	41,033
	9,619,324	1,037,711	68,835	10,588,200
Total capital assets	9,627,808	2,135,645	68,835	11,443,073
Less accumulated depreciation:				
Land improvements	(1,099,792)	(39,561)	0	(1,139,353)
Buildings and building improvements	(4,533,590)	(102,202)	(18,111)	(4,617,681)
Machinery and equipment	(649,930)	(57,444)	0	(707,374)
Buses	(101,448)	(54,281)	(50,724)	(105,005)
Vehicles	(24,137)	(2,816)	0	(26,953)
	(6,408,897)	(256,304)	(68,835)	(6,596,366)
Total accumulated depreciation	(6,408,897)	(256,304)	(68,835)	(6,596,366)
Intangible right-to-use assets				
Right-to-use asset - leased equipment	0	47,626	0	47,626
Less accumulated amortization	0	(9,525)	0	(9,525)
	0	38,101	0	38,101
Net intangible right-to-use assets	0	38,101	0	38,101
Net capital assets	\$3,218,911	\$1,917,442	\$0	\$4,884,808

Depreciation and amortization expense were charged to governmental functions as an unallocated expense.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 6**      **Interfund Payables, Receivables, and Transfers**

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General:		
Sinking	\$0	\$55,401
Food Service	0	7,067
Student and School Activity	1,129	0
Technology	0	15,632
Sinking:		
General	55,401	0
Food Service Fund:		
General Fund	7,067	0
Student and School Activity	0	153
Technology Fund		
General Fund	15,632	0
Student and School Activity:		
General	0	1,129
Food Service	153	0
	\$79,382	\$79,382

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers during the 2021-22 fiscal year.

**Note 7**      **Defined Benefit Pension Plans and Postemployment Benefits**

**Plan Description** - The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employers, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management, and Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [michigan.gov/orsschools](http://michigan.gov/orsschools).

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 7**     **Defined Benefit Pension Plans and Postemployment Benefits (Continued)**

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions** – Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year 2021.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the District were \$1,836,925 for the year ended September 30, 2021.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 7**    **Defined Benefit Pension Plans and Postemployment Benefits (Continued)**

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

At June 30, 2022, the School District reported a liability of \$14,483,990 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled-forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.06117735 percent, which was a decrease of 0.000843 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,519,396. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between actual and expected experience	\$224,363	(\$85,293)
Changes of assumptions	913,019	0
Net differences between projected and actual earnings on pension plan investments	0	(4,656,556)
Changes in proportion and differences between school district contributions and proportionate share of contributions	74,072	(340,573)
School district's contributions subsequent to the measurement date	<u>1,841,710</u>	<u>0</u>
	<u>\$3,053,164</u>	<u>(\$5,082,422)</u>

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 7**     **Defined Benefit Pension Plans and Postemployment Benefits (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)** - \$1,841,710 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year  
(To Be Recognized in Future Pension Expenses)

	<u>Amount</u>
2022	(\$519,752)
2023	(888,812)
2024	(1,178,397)
2025	<u>(1,284,007)</u>
	<u>(\$3,870,968)</u>

**Actuarial Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:                     September 30, 2020

Actuarial Cost Method:             Entry Age, Normal

Wage Inflation Rate:                2.75%

Investment Rate of Return:

- MIP and Basic Plans                6.80%, net of investment expenses
- Pension Plus Plan                    6.80%, net of investment expenses
- Pension Plus 2 Plan                  6.00%, net of investment expenses

Projected Salary Increases:        2.75 –11.55%, including wage inflation at 2.75%

Cost-of-Living Pension

Adjustments:                            3% Annual Non-Compounded for MIP Members

Mortality:

- Retirees                                RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  
- Active Members                      RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.



**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 7**     **Defined Benefit Pension Plans and Postemployment Benefits (Continued)**  
**Actuarial Assumptions (Concluded)**

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2018 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/orsschools.

**The long-term expected rate of return on plan assets** - The long-term rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.4%
Private Equity Pools	16.00	9.1
International Equity Pools	15.00	7.5
Fixed Income Pools	10.50	(0.7)
Real Estate and Infrastructure Pools	10.00	5.4
Absolute Return Pools	9.00	2.6
Real Return/Opportunistic Pools	12.50	6.1
Short Term Investment Pools	2.00	(1.3)
	<u>100.00%</u>	

\* Long-term rates of return are net of administrative expenses and 2.0% inflation.

**Rate of return** – For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 7**      **Defined Benefit Pension Plans and Postemployment Benefits (Concluded)**

**Discount rate** - A discount rate of 6.80% was used to measure the total pension liability (6.80% for Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate** - The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School 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:

1% Decrease (5.8% / 5.8% / 5.0%)	Current Single Discount Rate Assumption (6.8% / 6.8% / 6.0%)	1% Increase (7.8% / 7.8% / 7.0%)
\$20,708,178	\$14,483,990	\$9,323,730

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**MPSERS Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [michigan.gov/orsschools](http://michigan.gov/orsschools).

**Payable to the Pension Plan** – At June 30, 2022, the School District reported a payable of approximately \$237,510 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

**Note 8**      **Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description** - The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

## MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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### **Note 8** Postemployment Benefits Other Than Pensions (OPEB) (Continued)

**Plan Description (Concluded)** - The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [michigan.gov/orsschools](http://michigan.gov/orsschools).

**Benefits Provided** - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Contributions** - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

**Note 8**    **Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

**Contributions (Concluded)** – The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from School District were \$442,114 for the year ended September 30, 2021.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2022, the School District reported a liability of \$909,055 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District’s proportion of the net OPEB liability was determined by dividing each employers’ statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District’s proportion was .05955638 percent, which was a decrease of 0.003088 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the School District recognized OPEB income of \$550,200. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$0	(\$2,594,834)
Changes of assumptions	759,925	(113,713)
Net differences between projected and actual earnings on OPEB plan investments	0	(685,171)
Changes in proportion and differences between school district contributions and proportionate share of contributions	127,992	(298,501)
School district's contributions subsequent to the measurement date	369,385	0
	\$1,257,302	(\$3,692,219)

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 8**      **Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)**

\$369,385 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year  
(To Be Recognized in Future Pension Expenses)

	<u>Amount</u>
2022	(\$728,510)
2023	(671,088)
2024	(607,872)
2025	(544,658)
2026	(222,930)
Thereafter	<u>(29,244)</u>
	<u>(\$2,804,302)</u>

**Actuarial Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%, net of investment expenses
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Health Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

**Note 8**     **Postemployment Benefits Other Than Pensions (OPEB) (Continued)**  
**Actuarial Assumptions (Concluded)**

**Summary of Actuarial Assumptions (Concluded)**

Other Assumptions:

Opt Out Assumptions                      21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan

Survivor Coverage                              80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [michigan.gov/orsschools](http://michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets** - The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.4%
Private Equity Pools	16.00	9.1
International Equity Pools	15.00	7.5
Fixed Income Pools	10.50	(0.7)
Real Estate and Infrastructure Pools	10.00	5.4
Absolute Return Pools	9.00	2.6
Real Return/Opportunistic Pools	12.50	6.1
Short Term Investment Pools	2.00	(1.3)
	<u>100.00%</u>	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Concluded)**

**Rate of Return** - For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate** - A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate** - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, 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 higher:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$1,689,189	\$909,055	\$247,001

**Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate** - The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$221,257	\$909,055	\$1,682,912
\$221,257	\$909,055	\$1,682,912

**OPEB Plan Fiduciary Net Position** - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at [michigan.gov/orsschools](http://michigan.gov/orsschools).

**Payable to the OPEB Plan** - At June 30, 2022, the School District reported a payable of approximately \$56,311 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

**Note 9**      **Enhancement Millage for Technology**

Voters of Monroe County passed an enhancement millage based on the taxable value of all property in the Monroe County Intermediate School District. The technology millage was renewed on May 4, 2021, at 0.9866 mill for an additional five years, 2021 to 2026. The intermediate school district will distribute the tax collections to the local school districts based on pupil membership count. The tax millage received by the local school districts will be used for technology enhancements and related expenses.

**Note 10**      **Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2022, the various components of unearned revenue are as follows:

	<u>Unearned Revenue</u>
General Fund:	
Building a Healthy Community	\$967
Food Service Fund:	
Prepaid student balances	4,687
Supply Chain Assistance Grant	23,040
	\$28,694

**Note 11**      **Long-Term Debt**

Following is a summary of changes in long-term debt:

	<u>Balance</u>		<u>Balance</u>		<u>Amounts</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2022</u>	<u>Due in</u>
					<u>One Year</u>
Direct Borrowings and Direct Placements:					
Intallment Purchase Agreements:					
Tax Exempt Leasing Corp A	\$0	\$625,387	\$92,112	\$533,275	\$66,567
Tax Exempt Leasing Corp B	0	105,346	19,200	86,146	15,073
Total Direct Borrowings and Direct Placements:	0	730,733	111,312	619,421	81,640
Other Liabilities:					
Compensated absences	28,228	0	1,603	26,625	0
Total Long-Term Debt	\$28,228	\$730,733	\$112,915	\$646,046	\$81,640

The School District entered into an installment purchase agreement on July 15, 2021 with Tax Exempt Leasing Corp. for the use of seven general education buses and one special education bus. The lease term is six years, ending July 15, 2027, with payments of \$92,112 for the five years, and a balloon payment of \$259,100 in the sixth year, with an interest rate of 4.79%. This agreement contains a provision that in the event of failure by the School District to pay any of the obligation for 15 days after the principal and interest are due, the lender may, at its option, to obtain a judgment in an amount not less than the sum of all contract payments due, or require the School District to redeliver any or all of the equipment to a location specified by the lender.



**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 11 Long-Term Debt (Concluded)**

Annual principal and interest requirements to maturity for the above purchase agreement are as follows:

Fiscal Year	2021 Tax-Exempt Leasing Corp A		
	Principal	Interest	Total
2023	\$66,568	\$25,544	\$92,112
2024	69,755	22,357	92,112
2025	73,097	19,015	92,112
2026	76,599	15,513	92,112
2027	247,256	11,844	259,100
Totals	<u>\$533,275</u>	<u>\$94,273</u>	<u>\$627,548</u>

The School District entered into an installment purchase agreement on July 15, 2021 with Tax Exempt Leasing Corp. for the use of one general education bus. The lease term is four years, ending July 15, 2025, with payments of \$13,328 for the first three years, and a balloon payment of \$57,925 in the fourth year, with an interest rate of 4.79%. This agreement contains a provision that in the event of failure by the School District to pay any of the obligation for 15 days after the principal and interest are due, the lender may, at its option, to obtain a judgment in an amount not less than the sum of all contract payments due, or require the School District to redeliver any or all of the equipment to a location specified by the lender.

Annual principal and interest requirements to maturity for the above purchase agreement are as follows:

Fiscal Year	2021 Tax-Exempt Leasing Corp B		
	Principal	Interest	Total
2023	\$15,074	\$4,126	\$19,200
2024	15,796	3,404	19,200
2025	55,276	2,649	57,925
Totals	<u>\$86,146</u>	<u>\$10,179</u>	<u>\$96,325</u>

Annual debt service requirements to maturity for the above purchase agreements are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$81,642	\$29,670	\$111,312
2024	85,551	25,761	111,312
2025	128,373	21,664	150,037
2026	76,599	15,513	92,112
2027	247,256	11,844	259,100
Totals	<u>\$619,421</u>	<u>\$104,452</u>	<u>\$723,873</u>

Compensated absences payable represents vested benefits for unused vacation and sick pay under formulas and conditions specified in various employment contracts. The amounts in the “payments” column represent the net change during the year.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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**Note 12**    **Lease Commitments**

In fiscal year 2022, the School District implemented the guidance in GASB No. 87, *Leases*, and recognized the value of copier leases that had previously been reported as operating leases.

The School District entered into a lease agreement with MT Business Technologies for the use a copy machine. The lease term is sixty months, ending July 12, 2026, with payments of \$851 per month. For purposes of discounting the future payments of the lease, the School District used an interest rate of 2.85%. The leased equipment and the related accumulated amortization of the right-to-use assets are outlined in Note 5.

Obligations of governmental activities under operating leases at June 30, 2022 were as follows:

<u>Fiscal Year</u>	MT Business Technologies		
	Principal	Interest	Total
2023	\$9,229	\$978	\$10,207
2024	9,495	712	10,207
2025	9,769	438	10,207
2026	10,051	156	10,207
Totals	\$38,544	\$2,284	\$40,828

**Note 13**    **Property Taxes**

Property taxes are recorded as revenue when levied and received by the various governmental units that collect the School District's taxes. The School District's 2021 property taxes were levied on December 1, 2021 on assessed valuations as of December 31, 2020. Taxes were collected beginning December 1, 2021 and payments were due by February 14, 2022. Taxable values are based on a percentage of the fair market value of the assessed property.

The following is a summary of the 2021 property tax levy:

	Taxable Value	Mills Levied	Taxes Levied
General Fund:			
Non-Homestead	\$66,651,818	18.0000	\$1,199,733
Commercial Personal Property	1,292,978	6.0000	7,758
			\$1,207,491

**Note 14**    **Michigan Unemployment Tax**

The School District is liable to the State for unemployment claims against the School District on a reimbursement basis. For the year ended June 30, 2022, the District was refunded in the amount of \$4,189.

**Note 15**    **Cafeteria Contract**

During the fiscal year ended June 30, 2022, the School District contracted with The Nutrition Group, Inc. to cover all cafeterias within the School District. Pursuant to this agreement, The Nutrition Group, Inc. manages the food service operations of the School District. All costs of The Nutrition Group, Inc. have been reflected in the financial statements of the Food Service Fund.

## MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2022

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### **Note 16**   **Contingencies**

#### **A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2022.

#### **B. Litigation**

There are currently no matters in litigation with the School District as defendant.

### **Note 17**   **Risk Management and Insurance Pool**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims, self-funds worker's compensation claims subject to stop loss insurance, and participates in the SET-SEG risk pool for general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared risk pool program in which the School District participates operates as a common risk sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 19**   **Governmental Regulation**

Substantially all of the School District's facilities are subject to federal, state, and local provisions regulating the discharge of material into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

### **Note 20**   **Sinking Fund**

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

## MASON CONSOLIDATED SCHOOLS

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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### **Note 21**    **Accounting Pronouncement**

In January 2017, the Governmental Accounting Standards Board issued GASB Statement Number 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District implemented this standard effective July 1, 2021.

## REQUIRED SUPPLEMENTAL INFORMATION

**MASON CONSOLIDATED SCHOOLS**

*General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$1,275,245	\$1,271,412	\$1,267,576	(\$3,836)
State sources	9,304,591	9,722,440	9,754,982	32,542
Federal sources	189,970	796,180	663,536	(132,644)
Interdistrict and other sources	432,952	476,139	476,639	500
Total Revenues	11,202,758	12,266,171	12,162,733	(103,438)
<b>Expenditures</b>				
Instruction:				
Basic programs	5,798,929	6,262,879	6,201,808	61,071
Added needs	1,482,895	1,513,391	1,457,085	56,306
Support services:				
Pupil	742,343	740,912	729,733	11,179
Instructional staff	102,901	51,373	46,952	4,421
General administration	317,214	404,708	400,830	3,878
School administration	697,077	715,558	708,286	7,272
Business administration	246,404	263,382	256,345	7,037
Operation and maintenance	1,185,437	1,706,508	1,396,497	310,011
Pupil transportation	527,773	646,719	1,346,161	(699,442)
Athletics	342,667	342,705	320,538	22,167
Central services	101,035	105,187	97,685	7,502
Other support services	0	13,592	8,602	4,990
Community service:				
Community recreation	3,058	0	0	0
Non-public school pupils	71,173	52,844	43,288	9,556
Total Expenditures	11,618,906	12,819,758	13,013,810	(194,052)
Excess (Deficiency) of Revenues Over Expenditures	(416,148)	(553,587)	(851,077)	(297,490)
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	0	0	730,733	730,733
Lease financing	0	0	47,626	47,626
Sale of capital assets	0	800	800	0
Total Other Financing Sources (Uses)	0	800	779,159	778,359
<b>Net Change in Fund Balances</b>	(416,148)	(552,787)	(71,918)	480,869
Fund Balances - Beginning of year	1,787,159	2,516,816	2,516,816	0
Fund Balances - End of year	\$1,371,011	\$1,964,029	\$2,444,898	\$480,869

**MASON CONSOLIDATED SCHOOLS**

*Schedule of the School District's Proportionate Share of the Net Pension Liability  
Michigan Public School Employees Retirement Plan  
Last 10 School District Fiscal Years (Amounts determined as of 9/30 of each year)*

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
A. School District's proportion of net pension liability (%)	0.06118%	0.06202%	0.06155%	0.06273%	0.06266%	0.06207%	0.06010%	0.06586%
B. School District's proportion proportionate share of net pension liability	\$14,483,990	\$21,304,912	\$20,383,830	\$18,858,612	\$16,238,349	\$15,485,431	\$14,899,149	\$14,507,391
C. School District's covered-employee payroll	\$5,363,537	\$5,546,564	\$5,275,927	\$5,324,533	\$5,241,982	\$5,277,599	\$5,068,692	\$5,593,990
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	37.03%	26.03%	25.88%	28.23%	32.28%	34.08%	34.02%	38.56%
E. Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

**MASON CONSOLIDATED SCHOOLS**

*Schedule of the School District's Pension Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 School District Fiscal Years (Amounts determined as of 6/30 of each year)*

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
A. Statutorily required contributions	\$1,836,925	\$1,704,420	\$1,635,143	\$1,708,228	\$1,469,753	\$1,393,767	\$1,176,760	\$1,854,149
B. Contributions in relation to statutorily required contributions*	\$1,836,925	\$1,704,420	\$1,635,143	\$1,708,228	\$1,469,753	\$1,393,767	\$1,176,760	\$1,854,149
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
D. School District's covered-employee payroll	\$5,789,849	\$5,337,911	\$5,493,307	\$5,416,862	\$5,304,596	\$5,187,202	\$5,111,459	\$5,291,727
E. Contributions as a percentage of covered-employee payroll	31.73%	31.93%	29.77%	31.54%	27.71%	26.87%	23.02%	35.04%

\*Contributions in relation to statutorily required contributions are the contributions a school district actually made to the system, as distinct from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.



## MASON CONSOLIDATED SCHOOLS

*Schedule of the School District's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees Retirement Plan  
Last 10 School District Fiscal Years (Amounts determined as of 9/30 of each year)*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. School District's proportion of net OPEB liability (%)	0.05956%	0.06264%	0.06044%	0.06257%	0.06253%
B. School District's proportion proportionate share of net OPEB liability	\$909,055	\$3,356,027	\$4,338,120	\$4,973,527	\$5,537,462
C. School District's covered-employee payroll	\$5,363,537	\$5,546,564	\$5,275,927	\$5,324,533	\$5,241,982
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	590.01%	165.27%	121.62%	107.06%	94.66%
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

**MASON CONSOLIDATED SCHOOLS**

*Schedule of the School District's OPEB Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 School District Fiscal Years (Amounts determined as of 6/30 of each year)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required contributions	\$442,114	\$442,598	\$414,975	\$406,129	\$486,834
B. Contributions in relation to statutorily required contributions*	\$442,114	\$442,598	\$414,975	\$406,129	\$486,834
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
D. School District's covered-employee payroll	\$5,789,849	\$5,337,911	\$5,493,307	\$5,416,862	\$5,304,596
E. Contributions as a percentage of covered-employee payroll	7.64%	8.29%	7.55%	7.50%	9.18%

\*Contributions in relation to statutorily required OPEB contributions are the contributions a school district actually made to the OPEB plan, as distinct from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

**MASON CONSOLIDATED SCHOOLS**  
*Notes to Required Supplemental Information*  
*Year Ended June 30, 2022*

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**Pension Information**

**Benefit Changes**

There were no changes of benefit terms for the pension plan year ended 2021.

**Assumption Changes**

There were no changes of assumptions for the pension plan year ended 2021.

**OPEB Information**

**Benefit Changes**

There were no changes of benefit terms for the OPEB plan year ended 2021.

**Assumption Changes**

There were no changes of assumptions for the OPEB plan year ended 2021, except for the following:

- 2021 – The OPEB healthcare cost rate assumption used in the September 30, 2020 valuation was as follows:
  - o For Pre-65: 7.75% year 1 graded to 3.5% year 15, 3.0% year 120.
  - o For Post-65: 5.25% year 1 graded to 3.5% year 15, 3.0% year 120.
  
- 2020 – The OPEB healthcare cost rate assumption used in the September 30, 2019 valuation was 7.0% year 1 graded to 3.5% year 15, 3.0% year 120.

## OTHER SUPPLEMENTAL INFORMATION

**MASON CONSOLIDATED SCHOOLS**

*General Fund  
Schedule of Revenues-Budget and Actual  
Year Ended June 30, 2022*

	Final Budget	Actual	Positive (Negative) Budget
<b>Local Sources</b>			
Property taxes	\$1,201,565	\$1,190,499	(\$11,066)
Tuition	8,820	8,821	1
Athletics	46,952	46,683	(269)
Interest income	7,045	10,869	3,824
Reimbursements and donations	5,590	9,032	3,442
Other revenue	1,440	1,672	232
Total Local Sources	1,271,412	1,267,576	(3,836)
<b>State Sources</b>			
Unrestricted grants:			
State school aid	7,720,408	7,720,409	1
Restricted grants:			
Special education-Headlee obligation	329,969	329,970	1
Early literacy	24,100	24,100	0
At Risk	358,516	354,246	(4,270)
Great Start Readiness Preschool	109,633	103,978	(5,655)
Career and technical	51,747	51,747	0
Headlee obligation for data collection	28,025	28,015	(10)
MPERS rate offset/UAAL/reform	1,090,886	1,128,362	37,476
Other state grants	9,156	14,155	4,999
Total State Sources	9,722,440	9,754,982	32,542
<b>Federal Sources</b>			
Title I	143,949	122,669	(21,280)
Title II	14,617	16,898	2,281
Title IV	7,061	5,899	(1,162)
ESSER II/ESSER III	496,514	387,727	(108,787)
GEER	55,526	51,397	(4,129)
Emergency Connectivity Fund	64,680	64,680	0
Indian education	11,132	11,132	0
P-EBT	614	614	0
Transfer from intermediate school district:			
Medicaid outreach	2,087	2,520	433
Total Federal Sources	796,180	663,536	(132,644)
<b>Interdistrict and Other Sources</b>			
Transfer from intermediate school district:			
County special education tax	446,784	446,784	0
Insurance reimbursements	16,794	17,294	500
Loan proceeds	0	730,733	730,733
Lease financing	0	47,626	47,626
Other revenue	12,561	12,564	3
Sale of capital assets	800	800	0
Total Interdistrict and Other Sources	476,939	1,255,801	778,862
Total Revenues	\$12,266,971	\$12,941,895	\$674,924

**MASON CONSOLIDATED SCHOOLS**

*General Fund*

*Schedule of Expenditures - Budget and Actual*

*Year Ended June 30, 2022*

	Salaries	Employee Benefits	Purchased Services
<b>Instruction</b>			
Basic Programs:			
Elementary	\$1,375,456	\$1,060,991	\$17,217
Middle School	677,539	583,461	43,085
High School	1,014,064	752,377	91,578
Pre-School	62,638	31,117	691
Summer School	18,123	8,040	0
	<u>3,147,820</u>	<u>2,435,986</u>	<u>152,571</u>
Added Needs:			
Special education	520,827	331,435	1,558
Compensatory education	277,803	141,322	0
Career and technical education	62,863	40,305	105
	<u>861,493</u>	<u>513,062</u>	<u>1,663</u>
Total Instruction	<u>4,009,313</u>	<u>2,949,048</u>	<u>154,234</u>
<b>Support Services</b>			
Pupil:			
Truancy	23,949	15,330	0
Guidance	70,581	56,754	0
Speech	67,885	54,519	0
Social work services	64,843	43,174	1,100
Teacher Consultant	45,078	30,011	0
Other pupil services	148,050	102,181	0
	<u>420,386</u>	<u>301,969</u>	<u>1,100</u>
Instructional Staff:			
Improvement of instruction	1,250	92	18,841
Educational media services	14,295	12,339	0
Technology assisted instruction	0	0	0
	<u>15,545</u>	<u>12,431</u>	<u>18,841</u>
General Administration:			
Board of education	2	2	80,647
Executive administration	166,543	129,575	2,857
	<u>166,545</u>	<u>129,577</u>	<u>83,504</u>
School Administration:			
Office of the principal	404,952	285,495	2,507
Other school administration	0	0	660
	<u>404,952</u>	<u>285,495</u>	<u>3,167</u>
Business Administration:			
Fiscal services	125,181	105,854	3,377
Internal services	0	0	359
Other business services	0	0	6,931
	<u>125,181</u>	<u>105,854</u>	<u>10,667</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Positive (Negative) Budget
\$35,538	\$110,885	\$0	\$2,600,087	\$2,609,377	\$9,290
16,314	26,954	0	1,347,353	1,349,208	1,855
14,112	23,841	234,899	2,130,871	2,174,838	43,967
2,888	0	0	97,334	103,291	5,957
0	0	0	26,163	26,165	2
68,852	161,680	234,899	6,201,808	6,262,879	61,071
460	0	0	854,280	877,164	22,884
10,190	0	0	429,315	447,804	18,489
12,544	57,673	0	173,490	188,423	14,933
23,194	57,673	0	1,457,085	1,513,391	56,306
92,046	219,353	234,899	7,658,893	7,776,270	117,377
0	0	0	39,279	39,869	590
0	0	0	127,335	129,112	1,777
235	0	0	122,639	123,476	837
174	0	5,869	115,160	113,761	(1,399)
0	0	0	75,089	75,927	838
0	0	0	250,231	258,767	8,536
409	0	5,869	729,733	740,912	11,179
0	0	0	20,183	14,551	(5,632)
135	0	0	26,769	33,222	6,453
0	0	0	0	3,600	3,600
135	0	0	46,952	51,373	4,421
1,472	0	4,884	87,007	96,876	9,869
600	9,885	4,363	313,823	307,832	(5,991)
2,072	9,885	9,247	400,830	404,708	3,878
1,150	10,090	1,755	705,949	708,258	2,309
1,677	0	0	2,337	7,300	4,963
2,827	10,090	1,755	708,286	715,558	7,272
2,107	3,794	8,742	249,055	256,069	7,014
0	0	0	359	373	14
0	0	0	6,931	6,940	9
2,107	3,794	8,742	256,345	263,382	7,037

**MASON CONSOLIDATED SCHOOLS**

*General Fund  
Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2022*

	Salaries	Employee Benefits	Purchased Services
<b>(Concluded)</b>			
<b>Support Services</b>			
Operation and Maintenance:			
Buildings and grounds	\$142,127	\$121,161	\$500,551
Security services	0	0	43,099
	<u>142,127</u>	<u>121,161</u>	<u>543,650</u>
Pupil Transportation	236,632	136,335	132,968
Athletics	80,009	52,691	154,272
Central Services:			
Communication services	25,977	25,079	533
Staff services	0	0	13,766
Technology	0	0	8,534
Pupil accounting	5,150	3,132	0
	<u>31,127</u>	<u>28,211</u>	<u>22,833</u>
Other Support Services:			
Other student/school activity	500	176	1,545
Total Support Services	<u>1,623,004</u>	<u>1,173,900</u>	<u>972,547</u>
<b>Community Service</b>			
Non-public school pupils	<u>22,362</u>	<u>14,773</u>	<u>354</u>
Total Community Service	<u>22,362</u>	<u>14,773</u>	<u>354</u>
<b>Total Expenditures</b>	<u><u>\$5,654,679</u></u>	<u><u>\$4,137,721</u></u>	<u><u>\$1,127,135</u></u>



<u>Supplies and Materials</u>	<u>Capital Outlay</u>	<u>Other Expenses</u>	<u>Totals</u>	<u>Final Budget</u>	<u>Positive (Negative) Budget</u>
\$316,664	\$269,119	\$3,707	\$1,353,329	\$1,651,077	\$297,748
69	0	0	43,168	55,431	12,263
<u>316,733</u>	<u>269,119</u>	<u>3,707</u>	<u>1,396,497</u>	<u>1,706,508</u>	<u>310,011</u>
80,425	752,688	7,113	1,346,161	646,719	(699,442)
22,851	3,449	7,266	320,538	342,705	22,167
0	0	0	51,589	53,622	2,033
214	0	0	13,980	12,794	(1,186)
0	0	15,130	23,664	29,891	6,227
0	0	170	8,452	8,880	428
<u>214</u>	<u>0</u>	<u>15,300</u>	<u>97,685</u>	<u>105,187</u>	<u>7,502</u>
1,916	1,465	3,000	8,602	13,592	4,990
<u>429,689</u>	<u>1,050,490</u>	<u>61,999</u>	<u>5,311,629</u>	<u>4,990,644</u>	<u>(320,985)</u>
1,109	4,690	0	43,288	52,844	9,556
<u>1,109</u>	<u>4,690</u>	<u>0</u>	<u>43,288</u>	<u>52,844</u>	<u>9,556</u>
<u>\$522,844</u>	<u>\$1,274,533</u>	<u>\$296,898</u>	<u>\$13,013,810</u>	<u>\$12,819,758</u>	<u>(\$194,052)</u>

**MASON CONSOLIDATED SCHOOLS**

*Sinking Capital Projects Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended June 30, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Budget</u>
<b>Revenues</b>				
Local Sources:				
Interest income	\$2,500	\$5,235	\$6,202	\$967
<b>Expenditures</b>				
Support services:				
Fiscal				
Other expenses	400	100	9	91
Operating building services				
Purchased services	500	500	674	(174)
Capital outlay	9,500	4,500	0	4,500
	<u>10,000</u>	<u>5,000</u>	<u>674</u>	<u>4,326</u>
Facilities acquisition, construction, and improvements:				
Site improvement services				
Capital outlay	2,500	0	0	0
Building improvement services				
Purchased services	5,500	85,000	69,969	15,031
Capital outlay	882,000	1,028,500	769,490	259,010
	<u>887,500</u>	<u>1,113,500</u>	<u>839,459</u>	<u>274,041</u>
Total Expenditures	<u>900,400</u>	<u>1,118,600</u>	<u>840,142</u>	<u>278,458</u>
<b>Net Change in Fund Balances</b>	(897,900)	(1,113,365)	(833,940)	279,425
Fund Balance - Beginning of year	<u>1,217,223</u>	<u>1,390,685</u>	<u>1,390,685</u>	<u>0</u>
Fund Balance - End of year	<u><u>\$319,323</u></u>	<u><u>\$277,320</u></u>	<u><u>\$556,745</u></u>	<u><u>\$279,425</u></u>

**MASON CONSOLIDATED SCHOOLS**

*Nonmajor Governmental Funds  
Combining Balance Sheet  
Year Ended June 30, 2022*

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Student and School Activity	Technology	
<b>Assets</b>				
Cash and cash equivalents	\$339,648	\$195,256	\$480,588	\$1,015,492
Due from other funds	7,067	153	15,632	22,852
Inventory	5,488	0	0	5,488
Prepaid	677	0	1,312	1,989
	<u>339,648</u>	<u>195,256</u>	<u>480,588</u>	<u>1,015,492</u>
Total Assets	<u>\$352,880</u>	<u>\$195,409</u>	<u>\$497,532</u>	<u>\$1,045,821</u>
<b>Liabilities</b>				
Accounts payable	\$10,352	\$660	\$47,770	\$58,782
Other liabilities	0	415	2,245	2,660
Unearned Revenue	27,727	0	0	27,727
Due to other governmental units	11,741	0	0	11,741
Due to other funds	153	1,129	0	1,282
	<u>10,352</u>	<u>660</u>	<u>47,770</u>	<u>58,782</u>
Total Liabilities	49,973	2,204	50,015	102,192
<b>Fund Balances</b>				
Nonspendable:				
Inventory	5,488	0	0	5,488
Prepaid	677	0	1,312	1,989
Restricted for:				
Technology enhancement	0	0	446,205	446,205
Food service	296,742	0	0	296,742
Committed to:				
Student and school activity	0	193,205	0	193,205
	<u>0</u>	<u>193,205</u>	<u>0</u>	<u>193,205</u>
Total Fund Balances	<u>302,907</u>	<u>193,205</u>	<u>447,517</u>	<u>943,629</u>
Total Liabilities and Fund Balances	<u>\$352,880</u>	<u>\$195,409</u>	<u>\$497,532</u>	<u>\$1,045,821</u>

**MASON CONSOLIDATED SCHOOLS**

*Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2022*

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Student and School Activity	Technology	
<b>Revenues</b>				
Local sources	\$36,763	\$124,892	\$353,156	\$514,811
State sources	36,423	0	12,400	48,823
Federal sources	635,719	0	0	635,719
Total Revenues	708,905	124,892	365,556	1,199,353
<b>Expenditures</b>				
Support services	0	103,262	0	103,262
Food service	583,672	0	0	583,672
Technology	0	0	298,677	298,677
Total Expenditures	583,672	103,262	298,677	985,611
<b>Net Change in Fund Balances</b>	125,233	21,630	66,879	213,742
Fund Balances - Beginning of year	177,674	171,575	380,638	729,887
Fund Balances - End of year	\$302,907	\$193,205	\$447,517	\$943,629

**MASON CONSOLIDATED SCHOOLS**

*Food Service Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2022*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
<b>Revenues</b>				
Local Sources:				
Food sales	\$52,763	\$36,777	\$35,747	(\$1,030)
Interest income	0	750	1,016	266
	<u>52,763</u>	<u>37,527</u>	<u>36,763</u>	<u>(764)</u>
State Sources:				
Restricted grants	43,017	44,600	36,423	(8,177)
Federal Sources:				
Restricted grants	313,267	566,385	598,772	32,387
Commodities	30,147	32,103	36,947	4,844
	<u>343,414</u>	<u>598,488</u>	<u>635,719</u>	<u>37,231</u>
Total Revenues	439,194	680,615	708,905	28,290
<b>Expenditures</b>				
Support services:				
Staff services	120	120	0	120
Food service:				
Salaries	130,800	132,275	120,405	11,870
Employee benefits	85,045	89,820	81,549	8,271
Purchased services	102,734	108,534	112,204	(3,670)
Supplies and materials	206,931	262,263	251,483	10,780
Capital outlay	5,250	25,166	12,899	12,267
Other	5,920	5,874	5,132	742
	<u>536,680</u>	<u>623,932</u>	<u>583,672</u>	<u>40,260</u>
Total Expenditures	536,800	624,052	583,672	40,380
<b>Net Change in Fund Balances</b>	(97,606)	56,563	125,233	68,670
Fund Balance - Beginning of year	93,742	177,674	177,674	0
Fund Balance - End of year	<u>(\$3,864)</u>	<u>\$234,237</u>	<u>\$302,907</u>	<u>\$68,670</u>

**MASON CONSOLIDATED SCHOOLS**

*Student and School Activity Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Sources:				
Student and school activities	\$140,000	\$110,000	\$124,892	\$14,892
<b>Expenditures</b>				
Student and School Activities:				
Student and school activities	140,000	100,000	103,262	(3,262)
<b>Net Change in Fund Balance</b>	0	10,000	21,630	11,630
Fund Balance - Beginning of year	0	171,575	171,575	0
Fund Balance - End of year	\$0	\$181,575	\$193,205	\$11,630

**MASON CONSOLIDATED SCHOOLS**

*Technology Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended June 30, 2022*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
<b>Revenues</b>				
Local sources:				
Property taxes	\$335,000	\$337,556	\$350,302	\$12,746
Interest income	120	2,315	2,854	539
	<u>335,120</u>	<u>339,871</u>	<u>353,156</u>	<u>13,285</u>
State sources:				
Restricted grants:				
MPSERS UAAL	10,100	12,400	12,400	0
	<u>10,100</u>	<u>12,400</u>	<u>12,400</u>	<u>0</u>
Total Revenues	345,220	352,271	365,556	13,285
<b>Expenditures</b>				
Instruction:				
Purchased services	41,650	34,501	25,670	8,831
Supplies and materials	5,250	3,285	3,265	20
Capital outlay	89,400	95,734	95,726	8
	<u>136,300</u>	<u>133,520</u>	<u>124,661</u>	<u>8,859</u>
Support services:				
Salaries	85,358	82,046	81,492	554
Employee benefits	63,956	65,919	64,491	1,428
Purchased services	27,050	25,766	25,728	38
Supplies and materials	1,500	7,775	82	7,693
Capital outlay	2,000	500	189	311
	<u>179,864</u>	<u>182,006</u>	<u>171,982</u>	<u>10,024</u>
Interdistrict and other uses:				
Payments to other governmental units	1,800	2,043	2,034	9
	<u>1,800</u>	<u>2,043</u>	<u>2,034</u>	<u>9</u>
Total Expenditures	317,964	317,569	298,677	18,892
<b>Net Change in Fund Balances</b>	27,256	34,702	66,879	32,177
Fund Balance - Beginning of year	349,314	380,638	380,638	0
Fund Balance - End of year	<u>\$376,570</u>	<u>\$415,340</u>	<u>\$447,517</u>	<u>\$32,177</u>

**MASON CONSOLIDATED SCHOOLS**

*Schedule of Athletics  
Budget and Actual  
Year Ended June 30, 2022*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
<b>Revenues</b>				
Local Sources:				
Admissions	\$19,763	\$28,747	\$28,483	(\$264)
Participation fees	10,050	18,205	18,205	0
Interest income	0	120	145	25
Other revenue	0	130	130	0
Total local sources	<u>29,813</u>	<u>47,202</u>	<u>46,963</u>	<u>(239)</u>
State Sources:				
Restricted grants	<u>10,500</u>	<u>16,105</u>	<u>16,105</u>	<u>0</u>
Total Revenues	<u>\$40,313</u>	<u>\$63,307</u>	<u>\$63,068</u>	<u>(\$239)</u>
<b>Expenditures</b>				
Pupil Transportation:				
Salaries	\$14,650	\$26,650	\$24,544	\$2,106
Employee benefits	9,323	14,369	12,533	1,836
Purchased services	0	5,000	0	5,000
Staff Services:				
Purchased services	1,145	1,098	1,098	0
Athletics:				
Salaries	81,335	81,056	80,009	1,047
Employee benefits	62,913	54,407	52,691	1,716
Purchased services	170,529	163,085	154,272	8,813
Supplies and materials	24,450	28,590	20,843	7,747
Capital outlay	0	1,441	3,449	(2,008)
Other expenses	3,440	13,028	7,266	5,762
Total Expenditures	<u>\$367,785</u>	<u>\$388,724</u>	<u>\$356,705</u>	<u>\$32,019</u>



## FEDERAL FINANCIAL ASSISTANCE PROGRAMS

**MASON CONSOLIDATED SCHOOLS**

*Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	
<u>U.S. Department of Education</u>			
Indian Education	S060A190275	84.060A	\$7,468
Indian Education	S060A200275	84.060A	6,609
Indian Education	S060A210275	84.060A	6,456
			20,533
Passed Through State of Michigan Department of Education:			
Title I, Part A - Improving Basic Programs	201530-1920	84.010A	124,940
Title I, Part A - Improving Basic Programs	211530-2021	84.010A	132,120
Title I, Part A - Improving Basic Programs	221530-2122	84.010A	122,669
			379,729
Title II, Part A - Supporting Effective Instruction	200520-1920	84.367A	64,558
Title II, Part A - Supporting Effective Instruction	210520-2021	84.367A	64,147
Title II, Part A - Supporting Effective Instruction	220520-2122	84.367A	58,589
			187,294
Title IV, Part A - SSAE	210750-2021	84.424A	10,000
Title IV, Part A - SSAE	220750-2122	84.424A	10,180
			20,180
Education Stabilization Program:			
COVID 19 - Governor's Emergency Education Relief (GEER) Funds	201200-20-21	84.425C	55,521
(GEER) II Funds	201201-21-22	84.425C	25,730
			81,251
COVID 19 - ESSER Formula Funds	203710-1920	84.425D	99,524
COVID 19 - ESSER Formula Funds	203711-1920	84.425D	7,381
COVID 19 - ESSER Formula II Funds	213712-20-21	84.425D	194,122
			301,027
COVID 19 - ESSER Formula III Funds	213713-2122	84.425U	666,617
			1,048,895
Total Education Stabilization Program			1,048,895
Total Passed Through State of Michigan Department of Education			1,636,098
Total U.S. Department of Education			1,656,631
<u>U.S. Federal Communications Commission (FCC)</u>			
Passed Through the Universal Service Administrative Company:			
COVID 19 -Emergency Connectivity Program		32.009	64,680
Total U.S. Federal Communications Commission			64,680

The accompanying notes are an integral part of this schedule.

Accrued (Deferred) Revenue July 1, 2021	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2022
\$1,187	\$6,281	\$0	\$0	\$1,187
1,933	1,933	4,807	6,740	0
0	0	6,325	6,325	0
<u>3,120</u>	<u>8,214</u>	<u>11,132</u>	<u>13,065</u>	<u>1,187</u>
(3,003)	2,462	0	0	(3,003)
1,344	130,576	0	1,344	0
0	0	122,669	82,120	40,549
<u>(1,659)</u>	<u>133,038</u>	<u>122,669</u>	<u>83,464</u>	<u>37,546</u>
(1,154)	(571)	0	0	(1,154)
0	13,393	6,187	5,477	710
0	0	10,711	1,726	8,985
<u>(1,154)</u>	<u>12,822</u>	<u>16,898</u>	<u>7,203</u>	<u>8,541</u>
0	9,082	0	737	(737)
0	0	5,899	467	5,432
<u>0</u>	<u>9,082</u>	<u>5,899</u>	<u>1,204</u>	<u>4,695</u>
0	0	29,791	29,791	0
0	0	25,730	0	25,730
<u>0</u>	<u>0</u>	<u>55,521</u>	<u>29,791</u>	<u>25,730</u>
4,871	92,143	0	4,871	0
0	0	7,381	7,381	0
15,289	15,289	74,667	15,289	74,667
<u>20,160</u>	<u>107,432</u>	<u>82,048</u>	<u>27,541</u>	<u>74,667</u>
<u>0</u>	<u>0</u>	<u>305,679</u>	<u>0</u>	<u>305,679</u>
<u>20,160</u>	<u>107,432</u>	<u>443,248</u>	<u>57,332</u>	<u>406,076</u>
<u>17,347</u>	<u>262,374</u>	<u>588,714</u>	<u>149,203</u>	<u>456,858</u>
<u>20,467</u>	<u>270,588</u>	<u>599,846</u>	<u>162,268</u>	<u>458,045</u>
<u>0</u>	<u>0</u>	<u>64,680</u>	<u>64,680</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>64,680</u>	<u>64,680</u>	<u>0</u>

**MASON CONSOLIDATED SCHOOLS**

*Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount
<u>U.S. Department of Health and Human Services</u>		
Passed Through Monroe County Intermediate School District:		
Medicaid Outreach	93.778	\$1,565
 <u>U.S. Department of Agriculture</u>		
Passed Through State of Michigan Department of Education:		
Child Nutrition Cluster:		
Cash Assistance:		
School Breakfast Program:		
Seamless Summer Option - School Breakfast Program 211971	10.553	14,430
Seamless Summer Option - School Breakfast Program 221971	10.553	140,528
		154,958
National School Lunch Program (NSLP):		
Supply Chain Assistance Funds 220910	10.555	23,040
Seamless Summer Option - National School Lunch Program 211961	10.555	437,751
		460,791
Summer Food Service Program for Children:		
Summer Food Service Program Operation 210904	10.559	339,059
Total Cash Assistance		954,808
Noncash Assistance:		
National School Lunch Program:		
Entitlement Commodities	10.555	35,633
Bonus Commodities	10.555	1,314
Total Noncash Assistance		36,947
Total Child Nutrition Cluster		991,755
Emergency Operations - CACFP Meals 211925	10.558	310
Emergency Operations - CACFP Meals 221920	10.558	1,629
		1,939
Pandemic EBT Local Level Costs 210980	10.649	614
Total Passed Through State of Michigan Department of Education		994,308
Total U.S. Department of Agriculture		994,308
Total Federal Financial Assistance		\$2,717,184

The accompanying notes are an integral part of this schedule.

Accrued (Deferred) Revenue July 1, 2021	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2022
\$0	\$16,565	\$2,520	\$2,520	\$0
0	0	14,430	14,430	0
0	0	140,528	140,528	0
0	0	154,958	154,958	0
0	0	0	23,040	(23,040)
0	0	437,751	437,751	0
0	0	437,751	460,791	(23,040)
20,538	339,059	0	20,538	0
20,538	339,059	592,709	636,287	(23,040)
0	27,246	35,633	35,633	0
0	0	1,314	1,314	0
0	27,246	36,947	36,947	0
20,538	366,305	629,656	673,234	(23,040)
0	0	310	310	0
0	0	1,629	1,629	0
0	0	1,939	1,939	0
0	0	614	614	0
20,538	366,305	632,209	675,787	(23,040)
20,538	366,305	632,209	675,787	(23,040)
\$41,005	\$653,458	\$1,299,255	\$905,255	\$435,005

**MASON CONSOLIDATED SCHOOLS**

*Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022*

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1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Mason Consolidated Schools under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mason Consolidated Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mason Consolidated Schools.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as a reimbursement.
3. Mason Consolidated Schools has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
4. Management has utilized the MDE NexSys Grant Auditor Report (GAR) in preparing the SEFA. The following shows a reconciliation of current year receipts per the schedule of expenditures of federal awards to current payments per the Michigan Department of Education NexSys Grant Auditor Report:

Agency total current payments per Michigan Department of Education Grant Auditor Report - (GAR) NexSys	\$928,595
Items on NexSys report included in accrued revenue:	
Title I Part A	(40,549)
Title II, Part A	(8,957)
Title IV, Part A	(5,433)
COVID 19 - GEER II Funds	(25,730)
COVID 19 - ESSER Formula II Funds	(45,984)
COVID 19 - ESSER III Funds	(13,899)
Additional items not on NexSys report:	
Non-cash assistance USDA Commodities - Entitlement	35,633
Non-cash assistance USDA Commodities - Bonus	1,314
Passed through US Department of Education:	
Indian Education	13,065
Passed through US Federal Communications Commission:	
COVID 19 - Emergency Connectivity Program	64,680
Passed through Monroe County Intermediate School District:	
Medicaid Outreach	2,520
	2,520
Total current year receipts (cash basis) per the schedule of expenditures of federal awards (SEFA)	\$905,255

5. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities and are reported in the cash receipts column.

**MASON CONSOLIDATED SCHOOLS**

*Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022*

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- 6. Certain federal programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.
- 7. There were no federal awards expended for loan or loan guarantee programs.
- 8. Mason Consolidated Schools does not have any subrecipients.
- 9. Revenues from federal sources are reported in the School District’s financial statements as follows:

General Fund	\$663,536
Food Service Fund	<u>635,719</u>
Schedule of Expenditure of Federal Awards	<u><u>\$1,299,255</u></u>

## MASON CONSOLIDATED SCHOOLS

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022*

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### SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Mason Consolidated Schools were prepared in accordance with GAAP.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Mason Consolidated Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs is disclosed in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Mason Consolidated Schools expresses an unmodified opinion on the major federal program.
6. There was one audit findings relative to the major federal award program for Mason Consolidated Schools.
7. The programs tested as major programs was the Child Nutrition Cluster (AL #10.553, 10.555, and 10.559).
8. The dollar threshold for distinguishing Type A and B Programs was \$750,000.
9. Mason Consolidated Schools was determined to be a high-risk auditee.



## MASON CONSOLIDATED SCHOOLS

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022*

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### **FINDINGS - FINANCIAL STATEMENTS AUDIT:**

#### **2022-001 Significant Audit Adjustments**

*Finding Type:* Significant deficiency in internal controls over financial reporting.

*Repeat Finding:* No - 2022-001

*Criteria:* Management is responsible for maintaining accounting records in accordance with generally accepted accounting principles (GAAP).

*Condition:* During the audit, we identified and proposed adjustments (which were approved and posted by management) in the General Fund.

*Cause:* The District's failure to reconcile accounts resulted in the following changes:

- General Fund – Expenditures and other financing sources were understated by approximately \$778,359.

*Effect:* The net financial statement effect of the journal entries to fund balance was \$0.

*Recommendation:* We recommend that the School District review its account procedures to make certain that account reconciliations are completed accurately, prior to the commencement of the annual audit. The necessary adjustments have been made to the School District's records and appropriately presented in the financial statements. Accordingly, no further corrective action is required at this time.

*View of Responsible Officials:* Management will conduct a review of the general ledger on an ongoing basis.

#### **2022-002 Expenditures in Excess of Amounts Appropriated**

*Finding Type:* Significant deficiency in internal controls over financial reporting.

*Repeat Finding:* No - 2022-002

*Criteria:* In accordance with MCL 141.421, the School District is prohibited from expending funds that are not authorized or approved in their budget.

*Condition:* As of June 30, 2022, expenditures incurred were in excess of amounts appropriated in the General Fund and the Student and School Activity Fund. The General Fund had final budgeted expenditures of \$12,819,758, while actual expenditures were \$13,017,934, causing a budget variance of \$198,476. The Student and School Activity Fund had final budgeted expenditures of \$100,000, while actual expenditures were \$103,262, causing a budget variance of \$3,262.

*Cause:* The final budget amendment was not updated to reflect the actual expenditures for the fiscal year ended June 30, 2022, resulting in expenditures in excess of amounts appropriated.

*Effect:* The School District is not in compliance with State statute.

*Recommendation:* We recommend that the School District develop budgetary control procedures, including passing budget adjustments, which will ensure that expenditures do not exceed amounts authorized.

*View of Responsible Officials:* Management agrees with the finding.

**MASON CONSOLIDATED SCHOOLS**

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022*

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**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:**

**2022-003 Timeliness of Annual On-Site Review**

*Finding Type:* Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions).

*Repeat Finding:* No - 2022-003

*Program:* Child Nutrition Cluster: National School Breakfast Program (AL #10.553), the National School Lunch Program (AL #10.555), the U.S.D.A. Donated Commodities (AL #10.555), and the Summer Food Service Program Operation (AL #10.559) passed through the Michigan Department of Education.

*Criteria:* Grant recipients are required to identify compliance requirements specific to each grant award and to develop internal controls to prevent or detect noncompliance. The Child Nutrition Cluster requires that on-site reviews/inspections of each location where meals are served be conducted by the District prior to February 1 of each year.

*Condition:* On-site reviews/inspections were not completed during the 2021/2022 fiscal year.

*Cause:* The condition was caused by a turnover of staff that was responsible for completing the reports.

*Effect:* As a result of this condition, the School District failed to maintain adequate internal controls over the food service operations to ensure the School District fully complies with the compliance requirements of this grant.

*Questioned Costs:* There were no costs that were required to be questioned and no unallowable expenditures that were noted as a result of this finding.

*Recommendation:* We recommend that the School District perform on-site reviews of the food service department in accordance with the State of Michigan's administrative policy. The District should develop a process whereby management is reminded of the programmatic deadlines. A supervisor or administrator should also be aware of the deadline in order to ensure timely completion

*View of Responsible Officials:* The Director of Business Services has reviewed the specifics of this finding with District employees, who will be responsible for ensuring the completion of the on-site reviews in a timely manner. The corrective action will be deemed complete upon the timely submission of the next annual on-site reviews, which is expected to occur prior to February 1, 2023.



# Mason Consolidated Schools

2400 Mason Eagles Drive Erie, MI 48133

PHONE: 734.848.9302 FAX: 734.848.2516

[www.eriamason.k12.mi.us](http://www.eriamason.k12.mi.us)

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October 25, 2022

Mason Consolidated Schools  
Corrective Action Plan  
Finding as of June 30, 2022

Contact Person Responsible: Kelli Tuller, Superintendent  
Dawn Nieuwkoop, Director of Business Services

Finding Number: 2022-001

Corrective Action Planned: Management is responsible for maintaining accounting records in accordance with generally accepted accounting principles. During the audit, there were proposed adjustments that were significant to the financial statements related to buses purchased through installment purchase agreements and lease commitment financing with the implementation of GASB 87. The entries were approved and posted by management. Management will conduct a review of the general ledger on an ongoing basis and make budgetary adjustments as appropriate.

Anticipated Completion Date: The necessary adjustments have been made to the School District's records and are appropriately presented in the financial statements. Accordingly, no further corrective action is deemed necessary.

Sincerely,

A handwritten signature in black ink that reads "Kelli Tuller".

Kelli Tuller  
Superintendent  
Mason Consolidated Schools



# Mason Consolidated Schools

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October 25, 2022

Mason Consolidated Schools  
Corrective Action Plan  
Finding as of June 30, 2022

Contact Person Responsible: Kelli Tuller, Superintendent  
Dawn Nieuwkoop, Director of Business Services

Finding Number: 2022-002

Corrective Action Planned: Management is responsible for maintaining accounting records in accordance with generally accepted accounting principles. The General Fund was over budget due to an audit adjustment that was posted to record the purchase of 8 school buses. The Student and School Activity Fund was over budget due to an error in estimated actual expenditures. Management will conduct a review of the general ledger on an ongoing basis and adjust the budget accordingly.

Anticipated Completion Date: The necessary adjustments have been made to the School District's records and are appropriately presented in the financial statements. Accordingly, no further corrective action is deemed necessary.

Sincerely,

A handwritten signature in black ink that reads "Kelli Tuller". The signature is written in a cursive style with a long, sweeping underline.

Kelli Tuller  
Superintendent  
Mason Consolidated Schools



# Mason Consolidated Schools

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October 25, 2022

Mason Consolidated Schools  
Corrective Action Plan  
Finding as of June 30, 2022

Contact Person Responsible: Kelli Tuller, Superintendent  
Dawn Nieuwkoop, Director of Business Services

Finding Number: 2022-003

Corrective Action Planned: The annual on-site reviews required as part of the National School Lunch Program were not completed during the 2021-2022 fiscal year due to an oversight by the previous Director of Business Services. There were no questioned costs or unallowable expenditures.

District staff have added this procedure to their work calendar to ensure the reviews will be completed in a timely manner in the future. Additionally, District staff will review all administrative policies issued by the State of Michigan related to the food service program.

Anticipated Completion Date: February 1, 2023 – The fiscal year 2022-2023 on-site reviews are required to be completed prior to February 1, 2023. District staff will complete the reviews prior to the due date.

Sincerely,

A handwritten signature in black ink that reads "Kelli Tuller". The signature is written in a cursive, flowing style.

Kelli Tuller  
Superintendent  
Mason Consolidated Schools

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

Board of Education  
Mason Consolidated Schools  
Monroe County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Mason Consolidated Schools' internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mason Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Mason Consolidated Schools' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiencies in internal control to be significant deficiencies:

#### Adjusting Journal Entries

During the audit, we identified and proposed adjustments (which were approved and posted by management) in the General Fund that was significant to the School District's financial statements. Reviewing the general ledger on an ongoing basis will provide the School District with more accurate financial information. We suggest that management conduct a review of the general ledger on an ongoing basis throughout the fiscal year.

#### Annual Budgets

Annual budgets are required to be adopted on a basis that is consistent with generally accepted accounting principles (GAAP) and State law for the General Fund and Special Revenue Funds. During the audit, we noted that expenditures exceeded amounts appropriated in the General Fund and the Student and School Activity Fund (a Special Revenue Fund). We recommend that the School District amend budgets as necessary to ensure that expenditures do not exceed amounts appropriated.

### On-Site Reviews

During our audit, we noted that the School District did not perform annual on-site reviews of the food service department. The State of Michigan requires the School District to perform on-site reviews annually, prior to February 1<sup>st</sup>. We recommend that the School District perform on-site reviews of the food service department in accordance with the State of Michigan's administrative policy.

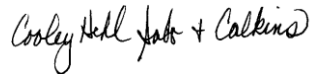
The following is not a material weakness or a significant deficiency, but a suggestion to improve your existing accounting policies:

### Food Service Fund - Excess Fund Balance

The USDA requires that the ending fund balance does not exceed three months' average of operating expenditures. During the audit, we noted the Food Service Fund has an excess fund balance of approximately \$114,000 at June 30, 2022. The District has an approved plan of action with the Michigan Department of Education to spend down the excess fund balance. We recommend that the District monitors the plan of action, and spend the excess funds no later than June 30, 2023.

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

Very truly yours,



October 25, 2022

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

October 25, 2022

To the Board of Education  
Mason Consolidated Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mason Consolidated Schools are described in Note 2 to the financial statements. During the fiscal year ended June 30, 2022, the School District implemented GASB 87, *Leases*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the allowance of doubtful accounts is based on confirmation of the state aid status report. We evaluated the key factors and assumptions used to develop the estimate of a zero percent for the allowance of doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of depreciable capital assets is based on the length of time those assets will provide economic benefit in the future.

Management's estimate of the accrued compensated absences is based on formulas and conditions specified in various contracts regarding vacation and sick leave benefits.

Managements' estimates of the net pension and OPEB liabilities are based on actuarial valuations and other financial data. We have evaluated key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.



To the Board of Education  
Mason Consolidated Schools

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#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 25, 2022.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Mason Consolidated Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

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

#### *Other Matters*

We applied certain limited procedures to the major fund budget and actual statements and pension and OPEB schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Board of Education  
Mason Consolidated Schools

-3-

We were engaged to report on the other supplemental information, as listed in the table of contents, and the federal financial assistance program schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Restriction on Use*

This information is intended solely for the Board of Education and management of Mason Consolidated Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Cooly Hill Jabs + Calkins*