

MASON CONSOLIDATED SCHOOLS
Erie, Michigan

ANNUAL FINANCIAL REPORT
June 30, 2018

MASON CONSOLIDATED SCHOOLS

Table of Contents
June 30, 2018

Independent Auditor's Report 1-2

**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*** 3-4

Management's Discussion and Analysis 5-12

Basic Financial Statements:

District-wide Financial Statements:

 Statement of Net Position 13

 Statement of Activities 14

Fund Financial Statements:

 Governmental Funds:

 Balance Sheet 15

 Reconciliation of the Balance Sheet of Governmental Funds to the
 Statement of Net Position 16

 Statement of Revenues, Expenditures, and Changes in Fund Balances 17

 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities 18

 Fiduciary Funds - Statement of Fiduciary Net Position 19

Notes to Financial Statements 20-42

Required Supplemental Information:

General Fund:

 Budgetary Comparison Schedule 43

 Schedule of Revenues - Budget and Actual 44

 Schedule of Expenditures - Budget and Actual 45-48

Schedule of School District's Proportionate Share of Net Pension Liability 49

Schedule of School District's Pension Contributions 50

Schedule of School District's Proportionate Share of Net OPEB Liability 51

Schedule of School District's OPEB Contributions 52

Notes to Required Supplemental Information 53

Other Supplemental Information:

Sinking Fund:

 Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual 54

MASON CONSOLIDATED SCHOOLS

Table of Contents (Concluded)
June 30, 2018

Other Supplemental Information (Concluded):

Nonmajor Governmental Funds:

Combining Balance Sheet 55
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances 56

Food Service Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual..... 57

Technology Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual 58

Agency Funds:

Statement of Changes in Assets and Liabilities..... 59
Student Activities Agency Fund-
Summary of Receipts and Disbursements 60-62

Schedule of Athletics – Budget and Actual..... 63

Federal Financial Assistance Programs:

Schedule of Expenditures of Federal Awards 64-67
Notes to Schedule of Expenditures of Federal Awards 68

Independent Auditor's Report

Board of Education
Mason Consolidated Schools
Erie, Michigan 48133

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of June 30, 2018, 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.

Other Matters

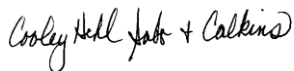
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 5 through 12, 38 through 43, and 44 through 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mason Consolidated Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.



October 10, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 10, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Mason Consolidated Schools

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 10, 2018

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2018*

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, 2018. 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 remaining statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. 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, 2018*

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities (pages 14-15), 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 (pages 16-20) 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 on pages 16 and 18.

Fiduciary funds - The School District is the trustee, or fiduciary for its student activity funds. All of the School District's fiduciary activities are reported in the Statement of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis
Year Ended June 30, 2018

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, 2018 and 2017.

Table 1

Comparative Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current and other assets	\$4,356,398	\$4,114,163
Capital assets	<u>3,384,655</u>	<u>3,190,284</u>
Total Assets	7,741,053	7,304,447
Deferred outflows of resources	3,953,128	2,380,057
Current and other liabilities	1,674,680	1,747,130
Long-term liabilities	<u>21,819,176</u>	<u>21,365,947</u>
Total Liabilities	<u>23,493,856</u>	<u>23,113,077</u>
Deferred inflows of resources	1,491,476	919,327
Net Position		
Net investment in capital assets	3,384,655	3,190,284
Restricted for technology enhancement	270,092	177,078
Restricted for food service	160,875	154,920
Restricted for capital projects	677,304	436,942
Unrestricted	<u>(17,784,077)</u>	<u>(18,307,124)</u>
Total Net Position	<u><u>(\$13,291,151)</u></u>	<u><u>(\$14,347,900)</u></u>

As depicted in Table 1, the School District's net position was a deficit of \$13,291,151 at June 30, 2018. Of this amount, a negative \$17,784,077 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.

During the 2017-18 year, the School District implemented Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, amounts for June 30, 2017 in Tables 1 and 2 were restated. Refer to Note 20 for more information.

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, 2018 and 2017.

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis
Year Ended June 30, 2018

District-Wide Financial Analysis - Concluded

Table 2

Comparative Statement of Activities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues		
Program revenues:		
Charges for services	\$233,960	\$269,297
State grants and other revenue	2,211,330	1,568,557
Federal grants	507,917	519,235
	<u>2,953,207</u>	<u>2,357,089</u>
General revenues:		
Property taxes	1,942,981	1,990,213
State foundation allowance	7,000,485	6,912,548
Other general revenues	240,470	480,125
	<u>9,183,936</u>	<u>9,382,886</u>
Total Revenues	12,137,143	11,739,975
Functions/Program Expenses		
Instruction	6,662,438	10,690,601
Support services	3,748,804	5,412,357
Community services	49,908	108,796
Food services	475,122	579,711
Depreciation	144,122	121,168
	<u>11,080,394</u>	<u>16,912,633</u>
Total Expenses	11,080,394	16,912,633
Increase (Decrease) in Net Position	<u>\$1,056,749</u>	<u>(\$5,172,658)</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$11,080,394. Of this amount, \$2,953,207 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 \$1,056,749. Revenues increased by \$397,168. Expenses decreased by \$5,832,239 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 19.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2018*

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 \$2,681,718 which is an increase of \$314,685 from last year. The changes by major and nonmajor funds are as follows:

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund balances -				
Beginning of year	\$1,598,093	\$436,942	\$331,998	\$2,367,033
Increase (decrease)	<u>(24,646)</u>	<u>240,362</u>	<u>98,969</u>	<u>314,685</u>
Fund balances –				
End of year	<u><u>\$1,573,447</u></u>	<u><u>\$677,304</u></u>	<u><u>\$430,967</u></u>	<u><u>\$2,681,718</u></u>

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.

Revenues	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percent Change</u>
Local sources	\$1,254,944	\$1,317,845	(4.8)%
State sources	8,827,916	8,435,542	4.7 %
Federal sources	222,205	209,497	6.1 %
Interdistrict and other sources	<u>448,998</u>	<u>458,364</u>	(2.0)%
Total revenues	<u><u>\$10,754,063</u></u>	<u><u>\$10,421,248</u></u>	3.2 %

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2018*

Fund Financial Analysis – Concluded

Expenditures	June 30, 2018	June 30, 2017	Percent Change
Instruction	\$6,819,214	\$6,533,324	4.4 %
Support services	3,904,074	3,864,029	1.0 %
Community services	55,421	52,411	5.7 %
Facilities improvement	0	27,272	(100.0)%
Total expenditures	<u>\$10,778,709</u>	<u>\$10,477,036</u>	2.9 %

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 \$10,386,787 versus the final budget of \$10,941,840. Major adjustments were as follows:

- An adjustment was made for the actual blended pupil count; 1,085.64 students were budgeted, actual blended count was 1,090.15 a difference of 4.51 FTE's. The foundation was budgeted at \$7,611 (an increase of \$100 per student), however the foundation was \$7,631 (additional increase of \$20 per student).
- All grants are budgeted in full however revenues are only recognized for corresponding expenditures. Some grant adjustments were:
 - The budget for current year's At Risk grant allocation was reduced by \$62,314,
 - At Risk carryover from previous year was added in the amount of \$156,483,
 - The Special Ed Headlee allocation was increased by \$42,586,
 - Budget in the amount of \$125,138 was added for section 147(c)2 which is a one-time deposit from the Office of Retirement Services to reduce the amortization of the early retirement incentive of 2010,
 - Adjustment to allocation for MPERS cost offset in the amount of \$36,937,
 - A new state funding source for high school supports was added in the amount of \$8,494,
 - Funds for an Early Literacy grant was added in the amount of \$13,440.
 - Voc ed program funding was reduced by \$5,790,
 - A grant was received for Voc ed equipment in the amount of \$4,615,
 - Additional funds were received for Great Start Readiness for transportation and equipment in the amount of \$31,768.

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis Year Ended June 30, 2018

General Fund Budgetary Highlights (Concluded)

Beginning Budget versus Ending Budget (Concluded):

Expenditures: The original budget for expenditures and transfers was \$10,693,683 versus the final budget of \$11,146,619. Major components of the original budget for expenditures versus final projections are as indicated below:

- The Operation and Maintenance budget was increased \$180,939; Special Projects carryover was included in the amount of \$61,144.
- The Transportation budget was increased \$38,500 for regular transportation and \$50,281 for special ed transportation; \$88,781 in total.
- The budget was adjusted for the corresponding increases/decreases relating to the grant awards mentioned above.

Final Budget versus Actual Figures:

Revenues: General Fund actual revenue was \$10,754,063 versus a budget of \$10,941,840. 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.

Expenditures: Actual expenditures were \$10,778,709 versus a budget of \$11,146,619. 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.
- Operation and Maintenance reflects a variance due to funds allocated for special projects that are unspent and will be carried over to the next fiscal year.
- Typical building and departmental underspending.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the School District had \$9,486,134 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, machinery and equipment, buses, and other vehicles. Capital asset additions of \$487,637 consisted of ceiling work, site lighting, locker room renovation, pool renovations, weight room floor replacement, carpet replacement, a Powermatic lathe, and playground equipment. There was a deletion of \$34,000 for a dump truck. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

Debt Administration

At June 30, 2018, the School District had other obligations which include accrued vacation and sick pay of \$43,365. More detailed information about long-term liabilities is presented in Note 10 to the Financial Statements.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2018*

Development of the 2018-19 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the School District's 2018-19 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 2019 fiscal year is 90 percent of the October 2018 student count and 10 percent of the previous February's count. The District projected a blended pupil count of 1,068.36 for budgeting purposes. Approximately 79% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a \$240 per pupil foundation increase to reflect the new minimum foundation of \$7,871 per pupil.

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 2018-19 fiscal year was adopted on June 18, 2018. 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, 2018*

	Governmental Activities
Assets	
Cash and cash equivalents	\$2,598,963
Accounts/taxes receivable	2,124
Due from other governmental units	1,739,586
Inventory	5,795
Deposits	9,000
Prepaid	930
Capital assets less accumulated depreciation	3,384,655
Total Assets	7,741,053
Deferred Outflows of Resources	
Deferred amount of pension expense	3,592,478
Deferred amount of OPEB expense	360,650
Total Deferred Outflows of Resources	3,953,128
Liabilities	
Accounts payable	366,401
Salaries payable	598,816
Due to other governmental units	117,272
Other liabilities	403,022
Unearned revenue	189,169
Long-term liabilities:	
Net pension liability	16,238,349
Net OPEB liability	5,537,462
Compensated absences, due in more than one year	43,365
Total Liabilities	23,493,856
Deferred Inflows of Resources	
Deferred amount of net pension liability	1,304,269
Deferred amount of net OPEB liability	187,207
Total Deferred Inflows of Resources	1,491,476
Net Position	
Net investment in capital assets	3,384,655
Restricted for technology enhancement	270,092
Restricted for food service	160,875
Restricted for capital projects	677,304
Unrestricted	(17,784,077)
Total Net Position	(\$13,291,151)

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

*Statement of Activities
Year Ended June 30, 2018*

	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses			
Primary government -				
Governmental activities:				
Instruction	\$6,662,438	\$9,245	1,591,327	(\$5,061,866)
Support services	3,748,804	59,208	801,929	(2,887,667)
Community services	49,908	0	4,908	(45,000)
Food services	475,122	165,507	321,083	11,468
Depreciation (Unallocated)	144,122	0	0	(144,122)
Total Governmental Activities	\$11,080,394	\$233,960	\$2,719,247	(8,127,187)
General Revenues:				
Taxes:				
Property taxes, levied for general operations				1,155,407
Property taxes, levied for technology				322,406
Property taxes, levied for sinking fund				465,168
State of Michigan aid, unrestricted				7,000,485
Interest income				4,794
Other				235,676
			Total General Revenues	9,183,936
				1,056,749
Change in Net Position				1,056,749
			Net Position - Beginning of year, restated	(14,347,900)
			Net Position - End of year	(\$13,291,151)

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

MASON CONSOLIDATED SCHOOLS

*Governmental Funds
Balance Sheet
June 30, 2018*

	General	Capital Projects Fund <u>Sinking</u>	Other Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$1,929,869	\$650,437	\$18,657	\$2,598,963
Accounts/taxes receivable	2,124	0	0	2,124
Due from other governmental units	1,735,640	0	3,946	1,739,586
Due from other funds	0	27,185	465,251	492,436
Inventory	0	0	5,795	5,795
Deposits	9,000	0	0	9,000
Prepaid	332	0	598	930
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$3,676,965</u>	<u>\$677,622</u>	<u>\$494,247</u>	<u>\$4,848,834</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$321,062	\$318	\$45,021	\$366,401
Salaries payable	591,860	0	6,956	598,816
Other liabilities	399,116	0	3,906	403,022
Unearned revenue	183,812	0	5,357	189,169
Due to other governmental units	115,232	0	2,040	117,272
Due to other funds	492,436	0	0	492,436
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,103,518</u>	<u>318</u>	<u>63,280</u>	<u>2,167,116</u>
Fund Balances				
Nonspendable:				
Inventory	0	0	5,795	5,795
Prepaid	332	0	598	930
Restricted for:				
Technology enhancement	0	0	270,092	270,092
Capital projects	0	677,304	0	677,304
Food service	0	0	154,482	154,482
Committed to:				
Building and grounds	40,294	0	0	40,294
Unassigned	1,532,821	0	0	1,532,821
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,573,447</u>	<u>677,304</u>	<u>430,967</u>	<u>2,681,718</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$3,676,965</u>	<u>\$677,622</u>	<u>\$494,247</u>	<u>\$4,848,834</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, 2018*

Total Fund Balances - Governmental Funds		\$2,681,718
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$9,486,134	
Accumulated depreciation	<u>(6,101,479)</u>	
		3,384,655
Deferred outflows of resources from subsequent pension expense from measurement date		1,391,200
Deferred outflows of resources from subsequent OPEB expense from measurement date		360,650
Deferred outflows of resources related to pension investment returns, changes in assumptions and changes in experience		2,201,278
Deferred inflows of resources resulting from net pension liability		(1,304,269)
Deferred inflows of resources resulting from net OPEB liability		(187,207)
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:		
Net pension liability	(16,238,349)	
Net OPEB liability	(5,537,462)	
Compensated absences	<u>(43,365)</u>	
		<u>(21,819,176)</u>
Total Net Position - Governmental Activities		<u><u>(\$13,291,151)</u></u>

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, 2018*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
Revenues				
Local sources	\$1,254,944	\$466,716	\$587,913	\$2,309,573
State sources	8,827,916	0	42,739	8,870,655
Federal sources	222,205	0	285,712	507,917
Interdistrict and other sources	448,998	0	0	448,998
Total Revenues	10,754,063	466,716	916,364	12,137,143
Expenditures				
Current:				
Instruction	6,819,214	0	238,647	7,057,861
Support services	3,904,074	0	64,522	3,968,596
Community service	55,421	0	0	55,421
Facilities improvement	0	0	0	0
Food service	0	0	480,635	480,635
Interdistrict and other uses	0	0	33,591	33,591
Capital outlay	0	226,354	0	226,354
Total Expenditures	10,778,709	226,354	817,395	11,822,458
Net Change in Fund Balances	(24,646)	240,362	98,969	314,685
Fund Balances - Beginning of year	1,598,093	436,942	331,998	2,367,033
Fund Balances - End of year	<u>\$1,573,447</u>	<u>\$677,304</u>	<u>\$430,967</u>	<u>\$2,681,718</u>

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, 2018*

Total Net Change in Fund Balances - Governmental Funds	\$314,685
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense:	
Depreciation expense	(\$144,122)
Capital outlay	<u>338,493</u>
	194,371
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.	
Net change in pension liability	(752,918)
Net change in OPEB liability	303,333
Net change in the deferred inflow of resources related to the net OPEB liability	(564,029)
Net change in the deferred inflow of resources related to the net pension liability	(8,120)
Net change between actual pension contributions and the cost of benefits earned, net of employer contributions	1,451,651
Net change between actual OPEB contributions and the cost of benefits earned, net of employer contributions	121,420
Increases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the governmental funds.	<u>(3,644)</u>
Change in Net Position of Governmental Activities	<u><u>\$1,056,749</u></u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds		Total
	Student Activities	Flexible Spending	
Assets			
Cash	\$143,768	\$9,264	\$153,032
Accounts receivable	55	0	55
	\$143,823	\$9,264	\$153,087
Total assets	\$143,823	\$9,264	\$153,087
 Liabilities			
Due to student groups	\$140,891	\$0	\$140,891
Due to School District	2,932	0	2,932
Other liabilities	0	9,264	9,264
	\$143,823	\$9,264	\$153,087
Total liabilities	\$143,823	\$9,264	\$153,087

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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 insure 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 conformity 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. 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 the 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, 2018

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.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

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 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.

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, 2018

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, 2018, 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 cost, 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, 2018

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 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 a future period(s) and so will not be recognized as an outflow of resources (expense/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 net pension liability and the net OPEB liability. A portion of these costs represent pension and OPEB contributions to the plan made after the plan's measurement date, but before the fiscal year end. The amount is expensed in the plan year in which it applies.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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)

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has items that qualifies for reporting in this category. They are the future resources yet to be recognized in relation to the pension and OPEB actuarial calculations. These future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liabilities and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets debt 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 pensions and OPEB, information about the fiduciary net position of the Michigan Public Schools Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (included refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported 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 conformity 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.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

- 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 2018.
- 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. Subsequent Events - The School District's management evaluated subsequent events from June 30, 2018 through October 10, 2018, 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.

During the year ended June 30, 2018, 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.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

Note 4 Deposits and Investments

As of June 30, 2018, the School District's deposits and investments are all on deposit with Monroe Bank and Trust, 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 \$2,789,822 invested in checking accounts and money markets. The School District's deposits are insured by the FDIC in the amount of \$1,200,816. Uninsured deposits are \$1,589,006.

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, 2018

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Assets not being depreciated:				
Land	\$8,484	\$0	\$0	\$8,484
Construction in progress	149,144	0	149,144	0
	157,628	0	149,144	8,484
Capital assets being depreciated:				
Land improvements	1,492,852	9,600	0	1,502,452
Buildings and building improvements	6,510,163	442,673	0	6,952,836
Machinery and equipment	724,114	35,364	0	759,478
Buses	203,444	0	0	203,444
Vehicles	93,440	0	34,000	59,440
	9,024,013	487,637	34,000	9,477,650
Total capital assets	9,181,641	487,637	34,000	9,486,134
Less accumulated depreciation:				
Land improvements	(919,218)	(45,302)	0	(964,520)
Buildings and building improvements	(4,232,616)	(77,885)	0	(4,310,501)
Machinery and equipment	(542,641)	(20,935)	0	(563,576)
Buses	(203,442)	0	0	(203,442)
Vehicles	(93,440)	0	(34,000)	(59,440)
	(5,991,357)	(144,122)	(34,000)	(6,101,479)
Total accumulated depreciation	(5,991,357)	(144,122)	(34,000)	(6,101,479)
Net capital assets	\$3,190,284	\$343,515	\$68,000	\$3,384,655

Depreciation expense was charged to governmental functions as an unallocated expense.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

Note 6 Interfund Payables, Receivables, and Transfers

Interfund balances at June 30, 2018, consisted of the following individual fund receivables and payables:

<u>Due To:</u>	<u>Due From</u>
	<u>General</u>
	<u>Fund</u>
Food Service Fund	\$149,907
Technology Fund	315,344
Sinking Fund	27,185
	<u>\$492,436</u>

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 2017-18 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 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 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 at www.michigan.gov/orsschools.

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.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

Benefits Provided (Concluded) - 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 and Funded Status – 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, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0	19.03
Pension Plus	3.0 - 6.4	18.40
Defined Contribution	0.0	15.27

Required contributions to the pension plan from the District were \$1,469,753 for the year ended September 30, 2017.

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

Pension Liabilities - At June 30, 2018, the School District reported a liability of \$16,238,349 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled-forward from September 2016. 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, 2017, the School District's proportion was 0.06266 percent, which was an increase of 0.20059 percent from its proportion measured as of September 30, 2016.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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 (Continued) - For the year ended June 30, 2018, the School District recognized pension expense of \$1,515,012. At June 30, 2018, the School 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	\$141,122	(\$79,678)
Changes of assumptions	1,779,040	0
Net differences between projected and actual earnings on pension plan investments	0	(776,300)
Changes in proportion and differences between school district contributions and proportionate share of contributions	281,116	(448,291)
School district's contributions subsequent to the measurement date	<u>1,391,200</u>	<u>0</u>
	<u>\$3,592,478</u>	<u>(\$1,304,269)</u>

Deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date were \$1,391,200 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2019	\$127,709
2020	470,335
2021	312,709
2022	(13,744)

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

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, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.60%
% Alternate Investment Pools	18.00	8.70
International Equity	16.00	7.20
Fixed Income Pools	10.50	(0.10)
Real Estate and Infrastructure Pools	10.00	4.20
Absolute Return Pools	15.50	5.00
Short Term Investment Pools	<u>2.00</u>	(0.90)
	<u>100.00</u>	

* Long term rate of return does not include 2.30% inflation

Rate of return – For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus 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.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

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 7.5% (7.0% for the hybrid 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 (Non-Hybrid/Hybrid) (6.5% / 6.0%)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) (7.5% / 7.0%)	1% Increase (Non-Hybrid/Hybrid) (8.5% / 8.0%)
\$21,153,168	\$16,238,349	\$12,100,385

Pension Plan 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 www.michigan.gov/orsschools.

Payable to the Pension Plan – At June 30, 2018, the School District reported a payable of approximately \$103,772 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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).

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 www.michigan.gov/orsschools.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

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 OPEB 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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Continued)
Contributions (Concluded) – The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from School District were \$486,834 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the School District reported a liability of \$5,537,462 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the School District's proportion was .06253 percent, which was a decrease of 5.47785 percent from its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, the School District recognized OPEB expense of \$372,958. At June 30, 2018, 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	(\$58,958)
Changes of assumptions	0	0
Net differences between projected and actual earnings on OPEB plan investments	0	(128,249)
Changes in proportion and differences between school district contributions and proportionate share of contributions	11,501	0
School district's contributions subsequent to the measurement date	349,149	0
	\$360,650	(\$187,207)

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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)

Contributions subsequent to the measurement date 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2019	(\$42,668)
2020	(42,668)
2021	(42,668)
2022	(42,668)
2023	(5,034)

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, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 – 12.3%, including wage inflation at 3.5%
Health Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

Summary of Actuarial Assumptions (Concluded)

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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 5.4744
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.6%
% Alternate Investment Pools	18.00	8.7
International Equity	16.00	7.2
Fixed Income Pools	10.50	(0.1)
Real Estate and Infrastructure Pools	10.00	4.2
Absolute Return Pools	15.50	5.0
Short Term Investment Pools	2.00	(0.9)
	100%	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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

Rate of Return - For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% 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 7.5%. 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 School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School 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
6.5%	7.5%	8.5%
<u>\$6,485,968</u>	<u>\$5,537,462</u>	<u>\$4,732,477</u>

Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School 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
6.5%	7.5%	8.5%
<u>\$4,689,486</u>	<u>\$5,537,462</u>	<u>\$6,500,279</u>

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the OPEB Plan - At June 30, 2018, the School District reported a payable of approximately \$50,393 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

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 3, 2016, at 0.9866 mill for an additional five years, 2017 to 2021. 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 Long-Term Debt

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

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Amounts Due in One Year
Other Liabilities:					
Compensated absences	\$39,721	\$3,644	\$0	\$43,365	\$0

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.

Note 11 Lease Commitments - Operating Leases

The School District entered into an operating lease agreement with Ally, for a 2014 Chevrolet Cruze for a driver’s education vehicle. The lease is thirty-eight (38) months, ending September 2017, with payments of \$211 per month. The lease was extended for two months and expired in November 2017.

The School District entered into an operating lease agreement with MT Business Technologies for the use a copy machine. The lease term is forty-eight (48) months, ending December 2021, with payments of \$1,099 per month.

Obligations of governmental activities under operating leases at June 30, 2018 were as follows:

Year Ended June 30,	MT Business Leasing
2019	\$13,187
2020	13,187
2021	6,593
	\$32,967

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2018

Note 12 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 2017 property taxes were levied on December 1, 2017 on assessed valuations as of December 31, 2016. Taxes were collected beginning December 1, 2017 and payments were due by February 14, 2018. Taxable values are based on a percentage of the fair market value of the assessed property.

The following is a summary of the 2017 property tax levy:

	<u>Taxable Value</u>	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund:			
Non-Homestead	\$64,342,276	17.8488	\$1,148,432
Commercial Personal			
Property	1,578,132	6.0000	9,469
Sinking Fund	233,179,949	2.0000	466,360
			<u>\$1,624,261</u>

Note 13 Tax Abatement

Municipalities within the School District's boundaries entered into property tax abatement agreements with local business under one program: The Plant and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50 percent of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties.

For the year ended June 30, 2018, the School District's property tax revenue for general obligations was reduced by \$3,227 under these programs. There were no tax abatements made by the School District. The abatements issued by other governmental units are as follows:

<u>Governmental Unit</u>	<u>IFT</u>
Bedford Township	<u>\$3,227</u>

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, 2018, the School District incurred claims of \$2,810.

Note 15 Cafeteria Contract

During the fiscal year ended June 30, 2018, 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, 2018

Note 16 Contingencies

A. Grants

The School 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, 2018.

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 18 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 19 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, 2018

Note 20 New Accounting Standard

For the year ended June 30, 2018 the School District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

	Governmental Activities
Net position as previously stated July 1, 2017	(\$8,567,248)
Adoption of GASB 75	
Net OPEB liability	(5,840,795)
Deferred outflows	239,230
Deferred inflows	(179,087)
Net position as restated July 1, 2017	<u>(\$14,347,900)</u>

REQUIRED SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$1,285,411	\$1,248,786	\$1,254,944	\$6,158
State sources	8,494,910	8,980,096	8,827,916	(152,180)
Federal sources	204,900	276,015	222,205	(53,810)
Interdistrict and other sources	401,566	436,943	448,998	12,055
Total Revenues	10,386,787	10,941,840	10,754,063	(187,777)
Expenditures				
Instruction:				
Basic programs	5,425,216	5,564,529	5,495,080	69,449
Added needs	1,451,225	1,472,129	1,324,134	147,995
Support services:				
Pupil	623,178	580,235	574,539	5,696
Instructional staff	76,004	113,602	79,007	34,595
General administration	257,335	250,764	243,730	7,034
School administration	667,791	675,741	663,241	12,500
Business administration	315,690	323,104	314,933	8,171
Operation and maintenance	993,589	1,174,528	1,111,219	63,309
Pupil transportation	450,566	544,343	534,961	9,382
Athletics	299,327	306,389	301,046	5,343
Central services	91,462	85,296	81,398	3,898
Community service:				
Community recreation	3,191	1,608	1,598	10
Non-public school pupils	39,109	54,351	53,823	528
Total Expenditures	10,693,683	11,146,619	10,778,709	367,910
Net Change in Fund Balances	(306,896)	(204,779)	(24,646)	180,133
Fund Balances - Beginning of year	1,406,172	1,598,093	1,598,093	0
Fund Balances - End of year	<u>\$1,099,276</u>	<u>\$1,393,314</u>	<u>\$1,573,447</u>	<u>\$180,133</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Revenues-Budget and Actual
Year Ended June 30, 2018*

	Final Budget	Actual	Positive (Negative) Budget
Local Sources			
Property taxes	\$1,151,622	\$1,155,407	\$3,785
Tuition	9,225	9,245	20
Athletics	59,183	59,208	25
Interest income	3,000	3,246	246
Reimbursements and donations	10,885	13,900	3,015
Other revenue	14,871	13,938	(933)
Total Local Sources	<u>1,248,786</u>	<u>1,254,944</u>	<u>6,158</u>
State Sources			
Unrestricted grants:			
State school aid	6,982,064	7,000,485	18,421
Restricted grants:			
Special education-Headlee obligation	344,630	344,630	0
Early literacy	13,440	8,754	(4,686)
At Risk	553,240	406,168	(147,072)
Great Start Readiness Preschool	160,151	144,395	(15,756)
Career and technical	29,210	29,915	705
Headlee obligation for data collection	27,613	27,625	12
MPERS rate offset	107,501	107,501	0
MPERS UAAL	626,123	624,687	(1,436)
MPERS ERIP	125,138	125,138	0
MPSERS reform	4,595	2,297	(2,298)
Other state grants	6,391	6,321	(70)
Total State Sources	<u>8,980,096</u>	<u>8,827,916</u>	<u>(152,180)</u>
Federal Sources			
Title I	175,524	158,466	(17,058)
Title II	90,378	53,450	(36,928)
Indian education	8,857	8,857	0
Transfer from intermediate school district:			
Homeless students' assistance	256	256	0
Medicaid outreach	1,000	1,176	176
Total Federal Sources	<u>276,015</u>	<u>222,205</u>	<u>(53,810)</u>
Interdistrict and Other Sources			
Transfer from intermediate school district:			
County special education tax	341,160	341,160	0
Insurance reimbursements	16,467	16,467	0
FICA reimbursement	0	13,217	13,217
Other revenue	79,316	78,154	(1,162)
Total Interdistrict and Other Sources	<u>436,943</u>	<u>448,998</u>	<u>12,055</u>
Total Revenues	<u>\$10,941,840</u>	<u>\$10,754,063</u>	<u>(\$187,777)</u>

MASON CONSOLIDATED SCHOOLS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2018

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>
Instruction			
Basic Programs:			
Elementary	\$1,217,307	\$899,029	\$56,055
Middle School	673,413	495,914	11,903
High School	948,719	671,020	98,250
Pre-School	57,482	35,902	871
Summer School	1,794	801	0
	<u>2,898,715</u>	<u>2,102,666</u>	<u>167,079</u>
Added Needs:			
Special education	383,300	274,292	5,481
Compensatory education	316,288	191,984	24,364
Career and technical education	49,621	33,242	793
	<u>749,209</u>	<u>499,518</u>	<u>30,638</u>
 Total Instruction	 3,647,924	 2,602,184	 197,717
Support Services			
Pupil:			
Truancy	24,725	14,544	0
Guidance	83,077	61,797	58
Health	0	0	0
Speech	61,667	49,001	0
Social work services	58,050	26,986	0
Teacher Consultant	40,922	28,790	0
Other pupil services	76,402	41,884	0
	<u>344,843</u>	<u>223,002</u>	<u>58</u>
Instructional Staff:			
Improvement of instruction	8,644	3,801	26,141
Educational media services	18,942	8,691	0
Technology assisted instruction	0	0	0
Supervision and direction	3,809	1,241	0
	<u>31,395</u>	<u>13,733</u>	<u>26,141</u>
General Administration:			
Board of education	3,740	93	29,043
Executive administration	122,039	80,736	1,818
	<u>125,779</u>	<u>80,829</u>	<u>30,861</u>
School Administration:			
Office of the principal	395,384	254,889	4,059
Other school administration	0	0	1,292
	<u>395,384</u>	<u>254,889</u>	<u>5,351</u>
Business Administration:			
Fiscal services	178,528	118,879	1,403
Internal services	0	0	335
Other business services	0	0	7,926
	<u>178,528</u>	<u>118,879</u>	<u>9,664</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Positive (Negative) Budget
\$31,671	\$2,000	\$0	\$2,206,062	\$2,222,520	\$16,458
9,767	2,891	0	1,193,888	1,208,408	14,520
28,070	1,705	217,973	1,965,737	1,977,515	11,778
9,338	23,205	0	126,798	141,602	14,804
0	0	0	2,595	14,484	11,889
78,846	29,801	217,973	5,495,080	5,564,529	69,449
1,236	0	0	664,309	669,913	5,604
13,966	0	0	546,602	685,929	139,327
9,870	19,697	0	113,223	116,287	3,064
25,072	19,697	0	1,324,134	1,472,129	147,995
103,918	49,498	217,973	6,819,214	7,036,658	217,444
0	0	0	39,269	39,264	(5)
275	0	0	145,207	146,918	1,711
189	0	0	189	194	5
839	0	0	111,507	111,132	(375)
2	0	5,331	90,369	90,351	(18)
0	0	0	69,712	69,283	(429)
0	0	0	118,286	123,093	4,807
1,305	0	5,331	574,539	580,235	5,696
498	0	0	39,084	73,235	34,151
203	0	0	27,836	28,281	445
5,951	0	1,086	7,037	7,036	(1)
0	0	0	5,050	5,050	0
6,652	0	1,086	79,007	113,602	34,595
373	0	4,589	37,838	43,234	5,396
572	172	555	205,892	207,530	1,638
945	172	5,144	243,730	250,764	7,034
1,910	1,880	1,580	659,702	671,641	11,939
2,247	0	0	3,539	4,100	561
4,157	1,880	1,580	663,241	675,741	12,500
1,806	0	5,893	306,509	314,335	7,826
0	0	0	335	343	8
0	0	163	8,089	8,426	337
1,806	0	6,056	314,933	323,104	8,171

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018*

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>
(Concluded)			
Support Services			
Operation and Maintenance:			
Buildings and grounds	\$117,363	\$94,439	\$527,198
Security services	0	0	12,945
	<u>117,363</u>	<u>94,439</u>	<u>540,143</u>
Pupil Transportation	208,236	116,156	109,370
Athletics	71,172	42,498	155,939
Central Services:			
Communication services	2,151	1,037	1,851
Staff services	9,413	4,606	16,337
Technology	0	0	5,728
Pupil accounting	18,464	13,840	13
	<u>30,028</u>	<u>19,483</u>	<u>23,929</u>
Total Support Services	1,502,728	963,908	901,456
Community Service			
Community recreation	1,234	364	0
Non-public school pupils	18,380	18,536	15,359
	<u>19,614</u>	<u>18,900</u>	<u>15,359</u>
Total Community Service	19,614	18,900	15,359
Total Expenditures	<u>\$5,170,266</u>	<u>\$3,584,992</u>	<u>\$1,114,532</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>
\$333,744	\$23,170	\$2,360	\$1,098,274	\$1,158,302	\$60,028
0	0	0	12,945	16,226	3,281
<u>333,744</u>	<u>23,170</u>	<u>2,360</u>	<u>1,111,219</u>	<u>1,174,528</u>	<u>63,309</u>
79,472	0	21,727	534,961	544,343	9,382
19,154	5,512	6,771	301,046	306,389	5,343
0	0	0	5,039	5,315	276
164	0	0	30,520	33,937	3,417
0	130	7,604	13,462	13,494	32
0	0	60	32,377	32,550	173
<u>164</u>	<u>130</u>	<u>7,664</u>	<u>81,398</u>	<u>85,296</u>	<u>3,898</u>
447,399	30,864	57,719	3,904,074	4,054,002	149,928
0	0	0	1,598	1,608	10
<u>1,548</u>	<u>0</u>	<u>0</u>	<u>53,823</u>	<u>54,351</u>	<u>528</u>
<u>1,548</u>	<u>0</u>	<u>0</u>	<u>55,421</u>	<u>55,959</u>	<u>538</u>
<u>\$552,865</u>	<u>\$80,362</u>	<u>\$275,692</u>	<u>\$10,778,709</u>	<u>\$11,146,619</u>	<u>\$367,910</u>

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)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. School District's proportion of net pension liability (%)	0.06266%	0.06207%	0.06010%	0.06586%
B. School District's proportion proportionate share of net pension liability	\$16,238,349	\$15,485,431	\$14,899,149	\$14,507,391
C. School District's covered-employee payroll	\$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 (%)	32.28%	34.08%	34.02%	38.56%
E. Plan fiduciary net position as a percentage of total pension liability	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)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions	\$1,469,753	\$1,393,767	\$1,176,760	\$1,854,149
B. Contributions in relation to statutorily required contributions*	\$1,469,753	\$1,393,767	\$1,176,760	\$1,854,149
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0
D. School District's covered-employee payroll	\$5,304,596	\$5,187,202	\$5,111,459	\$5,291,727
E. Contributions as a percentage of covered-employee payroll	27.71%	26.87%	23.02%	35.04%

*Contributions in relation to statutorily required contributions are the contributions a school district actually made to MPSERS, which may differ 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>2017</u>
A. School District's proportion of net OPEB liability (%)	0.06253%
B. School District's proportion proportionate share of net OPEB liability	\$5,537,462
C. School District's covered-employee payroll	\$5,241,982
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	94.66%
E. Plan fiduciary net position as a percentage of total OPEB liability	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>2018</u>
A. Statutorily required contributions	\$486,834
B. Contributions in relation to statutorily required contributions*	<u>\$486,834</u>
C. Contribution deficiency (excess)	<u>\$0</u>
D. School District's covered-employee payroll	\$5,304,596
E. Contributions as a percentage of covered-employee payroll	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, 2018

Changes of benefit terms: There were no changes of benefit terms in 2018.

Changes of assumptions: There were no changes of assumptions in 2018.

OTHER SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*Sinking Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Budget</u>
Revenues				
Local Sources:				
Property taxes	\$465,952	\$463,580	\$465,168	\$1,588
Interest income	0	850	1,548	698
	<u>465,952</u>	<u>464,430</u>	<u>466,716</u>	<u>2,286</u>
Total Revenues				
Expenditures				
Support services:				
Business	400	400	272	128
Operations and maintenance:				
Purchased services	1,000	0	0	0
Building improvements:				
Purchased services	35,000	17,000	10,346	6,654
Capital outlay	350,000	234,000	215,736	18,264
	<u>386,400</u>	<u>251,400</u>	<u>226,354</u>	<u>25,046</u>
Total Expenditures				
Net Change in Fund Balances	79,552	213,030	240,362	27,332
Fund Balance - Beginning of year	<u>363,604</u>	<u>436,942</u>	<u>436,942</u>	<u>0</u>
Fund Balance - End of year	<u>\$443,156</u>	<u>\$649,972</u>	<u>\$677,304</u>	<u>\$27,332</u>

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Balance Sheet
Year Ended June 30, 2018*

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Technology	
Assets			
Cash and cash equivalents	\$18,657	\$0	\$18,657
Due from other governmental units	3,946	0	3,946
Due from other funds	149,907	315,344	465,251
Inventory	5,795	0	5,795
Prepaid	598	0	598
	Total Assets	\$315,344	\$494,247
	\$178,903	\$315,344	\$494,247
Liabilities			
Accounts payable	\$11,430	\$33,591	\$45,021
Salaries payable	283	6,673	6,956
Other liabilities	113	3,793	3,906
Unearned Revenue	5,357	0	5,357
Due to other governmental units	845	1,195	2,040
	Total Liabilities	45,252	63,280
	18,028	45,252	63,280
Fund Balances			
Nonspendable:			
Inventory	5,795	0	5,795
Prepaid	598	0	598
Restricted for:			
Technology enhancement	0	270,092	270,092
Food service	154,482	0	154,482
	Total Fund Balances	270,092	430,967
	160,875	270,092	430,967
	Total Liabilities and Fund Balances	\$315,344	\$494,247

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018*

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Technology	
Revenues			
Local sources	\$165,507	\$422,406	\$587,913
State sources	35,371	7,368	42,739
Federal sources	285,712	0	285,712
Total Revenues	486,590	429,774	916,364
Expenditures			
Food service	480,635	0	480,635
Technology	0	336,760	336,760
Capital outlay	0	0	0
Total Expenditures	480,635	336,760	817,395
Net Change in Fund Balances	5,955	93,014	98,969
Fund Balances - Beginning of year	154,920	177,078	331,998
Fund Balances - End of year	<u>\$160,875</u>	<u>\$270,092</u>	<u>\$430,967</u>

MASON CONSOLIDATED SCHOOLS

*Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Food sales	\$189,665	\$164,715	\$165,507	\$792
State Sources:				
Restricted grants	32,873	35,498	35,371	(127)
Federal Sources:				
Restricted grants	280,470	260,485	260,489	4
Commodities	23,067	32,080	25,223	(6,857)
	<u>303,537</u>	<u>292,565</u>	<u>285,712</u>	<u>(6,853)</u>
 Total Revenues	 526,075	 492,778	 486,590	 (6,188)
Expenditures				
Support services:				
Staff services	100	325	620	(295)
Food service:				
Salaries	116,777	105,825	104,373	1,452
Employee benefits	64,218	60,093	59,448	645
Purchased services	96,688	101,553	101,195	358
Supplies and materials	244,921	222,209	207,817	14,392
Capital outlay	15,000	1,250	1,234	16
Other	5,329	5,949	5,948	1
	<u>543,033</u>	<u>497,204</u>	<u>480,635</u>	<u>16,569</u>
 Total Expenditures	 543,033	 497,204	 480,635	 16,569
 Net Change in Fund Balances	 (16,958)	 (4,426)	 5,955	 10,381
 Fund Balance - Beginning of year	 <u>137,061</u>	 <u>154,920</u>	 <u>154,920</u>	 <u>0</u>
 Fund Balance - End of year	 <u><u>\$120,103</u></u>	 <u><u>\$150,494</u></u>	 <u><u>\$160,875</u></u>	 <u><u>\$10,381</u></u>

MASON CONSOLIDATED SCHOOLS

Technology Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local sources:				
Property taxes	\$302,850	\$322,405	\$322,406	\$1
Donations	\$0	\$100,000	\$100,000	0
Total local sources	302,850	422,405	422,406	1
State sources:				
Restricted grants:				
MPSERS UAAL	6,312	6,663	7,368	705
Total Revenues	309,162	429,068	429,774	706
Expenditures				
Instruction:				
Salaries	17,077	28,443	28,442	1
Employee benefits	10,651	17,356	17,610	(254)
Purchased services	55,223	36,387	36,421	(34)
Supplies and materials	4,750	3,765	3,679	86
Capital outlay	43,200	152,498	152,495	3
	130,901	238,449	238,647	(198)
Support services:				
Salaries	36,493	28,525	27,993	532
Employee benefits	23,627	21,860	19,867	1,993
Purchased services	18,715	16,650	16,593	57
Supplies and materials	2,850	150	69	81
Capital outlay	33,282	0	0	0
	114,967	67,185	64,522	2,663
Interdistrict and other uses:				
Payments to other governmental units	34,718	33,000	33,591	(591)
Total Expenditures	280,586	338,634	336,760	1,874
Net Change in Fund Balances	28,576	90,434	93,014	2,580
Fund Balance - Beginning of year	174,123	177,078	177,078	0
Fund Balance - End of year	\$202,699	\$267,512	\$270,092	\$2,580

MASON CONSOLIDATED SCHOOLS

*Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2018*

	Student Activities Agency Fund			Balance July 1, 2018
	Balance July 1, 2017	Additions	Deductions	
Assets				
Cash	\$146,069	\$144,362	\$146,663	\$143,768
Accounts receivable	0	55	0	55
Total Assets	<u>\$146,069</u>	<u>\$144,417</u>	<u>\$146,663</u>	<u>\$143,823</u>
Liabilities				
Due to student groups	\$145,473	\$141,485	\$146,067	\$140,891
Due to School District	596	2,932	596	2,932
	<u>\$146,069</u>	<u>\$144,417</u>	<u>\$146,663</u>	<u>\$143,823</u>
	Flexible Spending Agency Fund			
	Balance July 1, 2017	Additions	Deductions	Balance July 1, 2018
Assets				
Cash	<u>\$6,960</u>	<u>\$14,486</u>	<u>\$12,182</u>	<u>\$9,264</u>
Liabilities				
Other liabilities	<u>\$6,960</u>	<u>\$14,486</u>	<u>\$12,182</u>	<u>\$9,264</u>

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2018*

	Due to (From) Student Groups July 1, 2017	Receipts	Disbursements	Due to (From) Student Groups July 1, 2018
ELEM - Counselor	\$88	\$0	\$0	\$88
ELEM - Kindergarten Field Trips	103	295	358	40
ELEM - Office	2,454	6,436	6,364	2,526
ELEM - Staff Pop Funds	634	704	630	708
ELEM - Bennet, Jill	149	0	0	149
ELEM - 1st Grade Field Trips	1,522	1,417	1,063	1,876
ELEM - Student Council	1,963	248	1,097	1,114
ELEM - Yenor, Beth	207	0	0	207
ELEM - T-Shirts	1,642	0	1,642	0
ELEM - Harman, Jenny	16	0	0	16
ELEM - Swartz, Megan	3,475	0	0	3,475
ELEM - Library Fines	172	737	487	422
ELEM - Beczynski, Michele	81	0	0	81
ELEM - Krohn, Sara	23	0	0	23
ELEM - Gallaher, Julie	173	0	0	173
ELEM - Hall, Max	143	380	0	523
ELEM - Geddes, Jean	104	0	0	104
ELEM - Swaile, Christina	1,175	275	918	532
ELEM - Hyden, Katie	10	0	0	10
ELEM - Conway, Lisa	142	0	0	142
ELEM - Kline, Deanna	146	0	0	146
ELEM - Swartz, Karen	15	0	0	15
ELEM - Manley, Lori	864	0	0	864
ELEM - Oberski, Brooke	65	0	0	65
ELEM - Lietart, Adele	374	0	102	272
ELEM	49	60	0	109
ELEM - Keane, Megan	118	0	0	118
ELEM - Sweigert, Josh	144	0	0	144
ELEM - Bondy, Jane	136	0	87	49
ELEM - Kaufman, Melody	558	0	0	558
ELEM - Martin, Floyd	16	0	0	16
ELEM - 2nd Grade Field Trips	2,079	313	330	2,062
ELEM - 3rd Grade Field Trips	1	0	0	1
ELEM - Speech	102	0	0	102
ELEM - Mazur, Maureen	102	0	0	102
ELEM - Camp Storer	10,963	18,769	15,474	14,258
ELEM - Lipowski, Paige	61	0	0	61
ELEM - Pagel, Angie	53	0	0	53
ELEM - 4th Grade Field Trips	571	1,853	1,799	625
MS -Science Olympiad	4,682	1,297	1,188	4,791

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2018*

	Due to (From) Student Groups July 1, 2017	Receipts	Disbursements	Due to (From) Student Groups July 1, 2018
(Continued)				
MS - Library	\$396	\$18	\$162	\$252
MS - N.J.H.S	743	92	205	630
MS - Principal Acct	4,374	2,447	1,892	4,929
MS - Volunteer Program	1,226	525	298	1,453
MS - PHYS ED	1,580	0	731	849
MS - Yearbook	2,588	2,128	1,708	3,008
MS - Choir	928	0	928	0
MS - Youth in Government	1,371	5,221	5,504	1,088
MS - Art	93	160	0	253
MS - 7th Grade	227	0	0	227
MS - 8th Grade	4,610	24,103	24,795	3,918
MS - 6th Grade	297	3,007	3,304	0
MS - Student Pop Funds	510	223	142	591
MS - Staff Pop Funds	195	124	0	319
MS - Denko - Donated At Risk	546	320	0	866
MS - Peer to Peer	962	1,093	595	1,460
HS - Art	2,895	0	1,238	1,657
HS - Robotics Team	63	538	437	164
HS - Senior Signs	350	155	0	505
HS - WSRCC Scholarship	250	500	750	0
HS - Reighard Scholarship	1	500	500	1
HS - Dawn Schmidt Scholarship	999	500	500	999
HS - Building	158	0	0	158
HS - Media Center	128	0	0	128
HS - Miscellaneous	607	280	249	638
HS - Yearbook	1,061	6,378	7,227	212
HS - Counseling Department	12	0	0	12
HS - Spanish Club	11	0	0	11
HS - Lumber	8,622	3,311	3,674	8,259
HS - Student Pop Funds	2,765	1,653	1,806	2,612
HS - Planetarium	234	0	0	234
HS - Band	933	12	945	0
HS - Art Scholarship	225	0	0	225
HS - Student Council	10,027	4,995	4,759	10,263
HS - Parent Group	282	0	0	282
HS - Steingass Scholarship	5,253	0	0	5,253
HS - After Prom Party	198	5,967	3,429	2,736
HS - Youth-in-Government	395	5,241	4,405	1,231
HS - Flag Corp	104	0	104	0
HS - National Honor Society	6	409	385	30
HS - Staff Pop Funds	1,366	643	1,037	972

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2018*

	Due to (From)			Due to (From)
	Student Groups	Receipts	Disbursements	Student Groups
	July 1, 2017			July 1, 2018
(Concluded)				
HS - Davinci Disciples	\$248	\$0	\$0	\$248
HS - Student Prevention Leadership Tea	2,875	1,906	289	4,492
HS - Dollars for Scholars	314	4,405	4,150	569
HS - Unified Champions	1,302	0	300	1,002
HS - Physical Education	348	0	0	348
HS - Weightlifting	315	0	0	315
HS - Class of 65 Sign	4,851	0	0	4,851
HS - Choir	506	0	506	0
HS - Class of 2017	867	0	867	0
HS - Class of 2018	1,289	4,470	4,708	1,051
HS - Class of 2019	2,660	4,830	7,082	408
HS - Class of 2020	1,631	3,932	3,695	1,868
HS - Class of 2021	0	381	0	381
ATH - HS Football	251	434	667	18
ATH - MS Football	239	0	217	22
ATH - Athletic Activity	74	2,907	1,609	1,372
Darrin Klod Athletic Memorial Fund	1,789	0	0	1,789
ATH - Volleyball	2,191	530	2,620	101
ATH - Softball	4,011	150	570	3,591
ATH - Wrestling	297	150	82	365
ATH - Girls Swimming	3,764	1,408	3,775	1,397
ATH - Cheerleading	1,662	4,233	3,740	2,155
ATH - Boys Basketball	132	0	0	132
ATH - Baseball	1,043	0	600	443
ATH - Girls Basketball	2,071	0	0	2,071
ATH - MS Wrestling	2	83	85	0
ATH - Cross Country	10,978	3,350	1,627	12,701
ATH - Boys Swimming	4,748	1,583	4,056	2,275
ATH - Golf	224	0	0	224
ATH - Track	916	1,722	85	2,553
Sales Tax	286	1,185	1,471	0
Alumni Association	333	0	0	333
Eagle Run	175	0	0	175
Enrichment - Krogers	0	481	0	481
Board of Education	2	0	0	2
Student Workers	113	0	0	113
Bank Fees	0	18	18	0
Total Due to Student Groups	\$145,473	\$141,485	\$146,067	\$140,891

MASON CONSOLIDATED SCHOOLS

*Schedule of Athletics
Budget and Actual
Year Ended June 30, 2018*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Admissions	\$31,750	\$38,493	\$38,693	\$200
Participation fees	14,580	20,690	20,515	(175)
Other revenue	0	2,955	2,956	1
Total local sources	<u>46,330</u>	<u>62,138</u>	<u>62,164</u>	<u>26</u>
State Sources:				
Restricted grants	<u>10,346</u>	<u>10,283</u>	<u>10,515</u>	<u>232</u>
Total Revenues	<u>\$56,676</u>	<u>\$72,421</u>	<u>\$72,679</u>	<u>\$258</u>
Expenditures				
Pupil Transportation:				
Salaries	\$13,550	\$15,537	\$16,059	(\$522)
Employee benefits	6,411	7,374	7,510	(136)
Staff Services:				
Purchased services	2,500	1,700	2,044	(344)
Athletics:				
Salaries	77,166	71,127	71,172	(45)
Employee benefits	44,222	42,910	42,498	412
Purchased services	151,966	159,628	155,939	3,689
Supplies and materials	15,500	20,288	19,154	1,134
Capital outlay	1,500	5,535	5,512	23
Other expenses	<u>8,973</u>	<u>6,901</u>	<u>6,771</u>	<u>130</u>
Total Expenditures	<u>\$321,788</u>	<u>\$331,000</u>	<u>\$326,659</u>	<u>\$4,341</u>

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2018*

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Education</u>			
Indian Education	S060A160275	84.060A	\$8,908
Indian Education	S060A170275	84.060A	8,857
			17,765
Passed Through State Department of Education:			
Title I, Part A - Improving Basic Programs	171530-1617	84.010A	183,590
Title I, Part A - Improving Basic Programs	181530-1718	84.010A	160,081
			343,671
Title II, Part A - Teacher/Principal Training & Recruiting	170520-1617	84.367A	102,303
Title II, Part A - Teacher/Principal Training & Recruiting	180520-1718	84.367A	89,065
			191,368
Total Passed Through State Dept. of Education			535,039
Passed Through Intermediate School Districts:			
Homeless Students' Assistance	182320-1718	84.196A	256
Total U.S. Department of Education			544,203
<u>U.S. Department of Health and Human Services</u>			
Passed Through Intermediate School District:			
Medicaid Outreach		93.778	1,176

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2017	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2018
\$0	\$8,909	\$0	\$0	\$0
0	0	8,857	8,857	0
<u>0</u>	<u>8,909</u>	<u>8,857</u>	<u>8,857</u>	<u>0</u>
42,188	142,188	15,443	57,631	0
0	0	143,023	75,000	68,023
<u>42,188</u>	<u>142,188</u>	<u>158,466</u>	<u>132,631</u>	<u>68,023</u>
2,364	44,864	1,313	3,677	0
0	0	52,137	15,000	37,137
<u>2,364</u>	<u>44,864</u>	<u>53,450</u>	<u>18,677</u>	<u>37,137</u>
44,552	187,052	211,916	151,308	105,160
0	0	256	256	0
<u>44,552</u>	<u>195,961</u>	<u>221,029</u>	<u>151,564</u>	<u>105,160</u>
<u>\$0</u>	<u>\$1,062</u>	1,176	<u>\$844</u>	<u>\$332</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2018*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
Cash Assistance:		
National School Lunch Program		
171960 All Lunches	10.555	\$202,289
181960 All Lunches	10.555	170,688
		<u>372,977</u>
171970 Breakfast	10.553	71,068
181970 Breakfast	10.553	63,377
		<u>134,445</u>
		507,422
Noncash Assistance:		
National Lunch Program Commodities	10.555	25,223
		<u>532,645</u>
Total U.S. Department of Agriculture		<u>532,645</u>
Total Federal Financial Assistance		<u><u>\$1,078,024</u></u>

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2017	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2018
\$0	\$182,977	\$19,312	\$19,312	\$0
0	0	170,688	170,688	0
<u>0</u>	<u>182,977</u>	<u>190,000</u>	<u>190,000</u>	<u>0</u>
0	63,956	7,112	7,112	0
0	0	63,377	63,377	0
<u>0</u>	<u>63,956</u>	<u>70,489</u>	<u>70,489</u>	<u>0</u>
0	246,933	260,489	260,489	0
<u>0</u>	<u>33,380</u>	<u>25,223</u>	<u>25,223</u>	<u>0</u>
<u>\$0</u>	<u>\$280,313</u>	<u>285,712</u>	<u>\$285,712</u>	<u>\$0</u>
		<u>\$507,917</u>		

MASON CONSOLIDATED SCHOOLS

*Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018*

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, 2018. 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. 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.
5. There were no federal awards expended for loan or loan guarantee programs.
6. Mason Consolidated Schools does not have any subrecipients.
7. The amounts reported on the Grant Section Auditors Report reconcile with this schedule.

COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Mason Consolidated Schools
Monroe County, Michigan

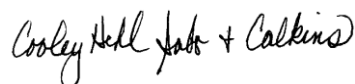
In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 10, 2018

COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

October 10, 2018

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, 2018. 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 18, 2018. 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 2018, Mason Consolidated Schools implemented Governmental Accounting Standard Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We noted no transactions entered into by Mason Consolidated Schools 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.

To the Board of Directors
Mason Consolidated Schools

-2-

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

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 our 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 as 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 10, 2018.

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 the school's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were 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 statement and pension 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 Directors
Mason Consolidated Schools

-3-

Other Matters (continued)

We were engaged to report on the nonmajor fund budget and actual statements, the agency changes in assets and liabilities, 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 of Use

This information is intended solely for the Board of Directors 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