

MASON CONSOLIDATED SCHOOLS
Erie, Michigan

ANNUAL FINANCIAL REPORT
June 30, 2021

MASON CONSOLIDATED SCHOOLS

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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, 2021, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021, 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 required pension and other postemployment benefit (OPEB) schedules on pages 7 through 14, 43, and 43 through 48, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of Mason Consolidated School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mason Consolidated School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mason Consolidated School's internal control over financial reporting and compliance.



September 30, 2021

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, 2021, 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 September 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mason Consolidated Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mason Consolidated School's internal control. Accordingly, we do not express an opinion on the effectiveness of Mason Consolidated School's internal control.

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

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

Compliance and Other Matters

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

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.



September 30, 2021

COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Mason Consolidated Schools
Erie, Michigan 48133

Report on Compliance for Each Major Federal Program

We have audited Mason Consolidated Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mason Consolidated Schools' major federal programs for the year ended June 30, 2021. Mason Consolidated Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Mason Consolidated Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



September 30, 2021

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis Year Ended June 30, 2021

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, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Special Revenue Funds, and the Capital Projects Fund.

Using this Annual Report

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

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

Basic Financial Statements

District-Wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for Major Funds

Pension Schedules

OPEB Schedules

(Required Supplemental Information)

Other Supplemental Information

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis
Year Ended June 30, 2021

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 16 and 18.

Fiduciary funds - The School District was 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 implemented GASB Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. As a result of this implementation, all activity related to student activities is now reported as governmental in one fund called the Student and School Activity Fund.

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis Year Ended June 30, 2021

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, 2021 and 2020.

Table 1

Comparative Statement of Net Position

	June 30, 2021	June 30, 2020
Current and other assets	\$6,179,480	\$5,424,903
Capital assets	3,218,911	3,319,421
Total Assets	9,398,391	8,744,324
Deferred outflows of resources	6,151,274	6,971,548
Current and other liabilities	1,542,092	1,517,234
Long-term liabilities	24,689,167	24,754,506
Total Liabilities	26,231,259	26,271,740
Deferred inflows of resources	2,912,344	2,854,385
Net Position		
Net investment in capital assets	3,218,911	3,319,421
Restricted for technology enhancement	380,638	394,607
Restricted for food service	177,674	131,884
Restricted for school and student activities	171,575	181,762
Restricted for capital projects	1,390,685	1,484,679
Unrestricted (deficit), restated	(18,933,421)	(18,922,606)
Total Net Position	(\$13,593,938)	(\$13,410,253)

As depicted in Table 1, the School District's net position was a deficit of \$13,593,938 at June 30, 2021. Of this amount, a negative \$18,933,421 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 fiscal year ended June 30, 2021, the School District implemented GASB 84, *Fiduciary Activities*. As a result, amounts for June 30, 2020 in Tables 1 and 2 were restated. Refer to Note 21 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, 2021 and 2020.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2021*

District–Wide Financial Analysis - Concluded

Table 2

Comparative Statement of Activities

	June 30, 2021	June 30, 2020
Revenues		
Program revenues:		
Charges for services	\$32,768	\$170,073
Operating grants and contributions	3,660,741	3,052,898
	3,693,509	3,222,971
General revenues:		
Property taxes	1,511,593	1,960,312
State foundation allowance	7,399,124	7,140,210
Other general revenues	152,248	69,317
	9,062,965	9,169,839
 Total Revenues	 12,756,474	 12,392,810
 Functions/Program Expenses		
Instruction	7,873,122	8,004,230
Support services	4,376,181	4,199,829
Community services	49,776	55,080
Food services	450,570	558,444
Depreciation	190,510	173,314
	12,940,159	12,990,897
 Total Expenses	 12,940,159	 12,990,897
 Increase (Decrease) in Net Position	 (\$183,685)	 (\$598,087)

As indicated in Table 2, the cost of *all governmental* activities this year was \$12,940,159. Of this amount, \$3,693,509 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 a decrease in net position this year of \$183,685. Revenues increased by \$363,664. Expenses decreased by \$50,738 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 20.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2021*

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 \$4,637,388 which is an increase of \$729,719 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, restated	\$1,714,737	\$1,484,679	\$708,253	\$3,907,669
Increase (decrease)	<u>802,079</u>	<u>(93,994)</u>	<u>21,634</u>	<u>729,719</u>
Fund balances – End of year	<u><u>\$2,516,816</u></u>	<u><u>\$1,390,685</u></u>	<u><u>\$729,887</u></u>	<u><u>\$4,637,388</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, 2021</u>	<u>June 30, 2020</u>	Percent Change
Local sources	\$1,177,885	\$1,208,824	(2.6)%
State sources	9,432,225	9,076,369	3.9%
Federal sources	653,108	167,298	290.4%
Interdistrict and other sources	<u>502,232</u>	<u>495,525</u>	1.4%
Total revenues	<u><u>\$11,765,450</u></u>	<u><u>\$10,948,016</u></u>	7.5%

The decrease in local sources is mainly due to the elimination of pay to participate fees for this fiscal year. The increase in State source revenue is mainly due to an increase in State school aid during the current fiscal year. The increase in Federal sources is due to the addition of COVID-19 funding during the current fiscal year. The increase in interdistrict and other sources is due to an increase in the county special education tax in the current fiscal year. The following page reflects a decrease in instructional expenditures, which are due to staff retirements, which caused a slight decrease in salaries and employee benefits. There was an increase in support services expenditures, mainly due to an increase in wage expenditures. There was a decrease in community services due to the pool being closed and no activities occurring in or around the pool.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2021*

Fund Financial Analysis – Concluded

Expenditures	June 30, 2021	June 30, 2020	Percent Change
Instruction	\$7,031,874	\$7,186,299	(2.1)%
Support services	3,889,893	3,757,757	3.5%
Community services	41,604	45,123	(7.8)%
Total expenditures	<u>\$10,963,371</u>	<u>\$10,989,179</u>	(0.2)%

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 \$10,478,655 versus the final budget of \$11,713,642. Major adjustments were as follows:

- An adjustment was made for the actual blended pupil count: 1,040.37 students were budgeted, actual blended count was 1,062.98 a difference of 22.61 FTE's. The foundation was budgeted at \$7,761, a decrease of \$350 per student. Actual foundation remained the same at \$8,111.
- All grants are budgeted in full; however revenues are only recognized for corresponding expenditures. Some grant adjustments were:
 - The addition of District COVID Costs in the amount of \$13,152,
 - The addition of Coronavirus Relief Funds in the amount of \$373,639,
 - The addition in the amount of \$9,811, from ORS for Forfeiture funds,
 - Adjustment to allocation for MPSERS cost offset in the amount of \$30,865,
 - The addition of Per Pupil Equalization payment, part of ESSER II in the amount of \$33,109
 - Funding for Community Foundation Grant for \$14,450,
 - MiConnect Grant in the amount of \$34,359,
 - Decrease of nearly all Title II budget due to training and conferences being cancelled because of COVID-19 protocols.
- A one-time reduction of Insurance premium in the amount of 35,000.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2021*

General Fund Budgetary Highlights (Concluded)

Beginning Budget versus Ending Budget (Concluded):

Expenditures: The original budget for expenditures and transfers was \$10,955,360 versus the final budget of \$11,641,220. Major components of the original budget for expenditures versus final projections are as indicated below:

- The Basic Program budget was increased \$280,673.
- The Operation and Maintenance budget was increased \$166,125; Special Projects was included in the amount of \$53,220 increase.
- The budget was adjusted for the corresponding increases/decreases relating to the grant awards mentioned on the previous page.

Final Budget versus Actual Figures:

Revenues: General Fund actual revenue was \$11,765,450 versus a budget of \$11,713,642. 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 \$10,963,371 versus a budget of \$11,641,220. 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.
- Instructional Staff reflects a variance of \$54,020, this is Title II fund for professional development, improvement of instruction that was unable to be completed due to COVID-19,
- General Administration reflects a variance of \$40,317,
- Basic Programs reflects a variance of \$135,687,
- Added Needs reflects a variance of \$104,364.
- Operation and Maintenance reflects a variance of \$166,456, which includes funds allocated for special projects that are unspent and will be carried over to the next fiscal year.
- Pupil Transportation reflects a variance of \$62,734.
- With the uncertainty of COVID-19 amounts were budgeted to be prepared for staffing and material changes that could become a necessity at any given time throughout the school year. Typical building and departmental underspending is not generally this high, however the fluid situation created the need this year.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2021*

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the School District had \$9,627,808 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 \$90,000 consisted of boiler improvements. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

Debt Administration

At June 30, 2021, the School District had other obligations which include accrued vacation and sick pay of \$28,228. More detailed information about long-term liabilities is presented in Note 11 to the Financial Statements.

Development of the 2021-22 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the School District's 2021-22 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 2022 fiscal year is 90 percent of the October 2020 student count and 10 percent of the previous February's count. The District projected a blended pupil count of 1,043.10 for budgeting purposes. Approximately 77% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a projection of \$164 per pupil foundation increase to reflect a foundation of \$8,275 per pupil; the foundation had not been set by the legislature at the time of the budget adoption.

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

The budget for the 2021-22 fiscal year was adopted on June 2, 2021. 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, 2021*

	Governmental Activities
Assets	
Cash and cash equivalents	\$4,288,526
Accounts/taxes receivable	1,155
Due from other governmental units	1,792,148
Inventory	5,062
Deposits	8,985
Prepaid	83,604
Capital assets less accumulated depreciation	3,218,911
	9,398,391
Deferred Outflows of Resources	
Deferred amount of pension expense	4,513,065
Deferred amount of OPEB expense	1,638,209
	6,151,274
Liabilities	
Accounts payable	242,071
Salaries payable	622,971
Due to other governmental units	201,006
Other liabilities	415,831
Unearned revenue	60,213
Long-term liabilities:	
Net pension liability	21,304,912
Net OPEB liability	3,356,027
Compensated absences, due in more than one year	28,228
	26,231,259
Deferred Inflows of Resources	
Deferred amount of net pension liability	269,248
Deferred amount of net OPEB liability	2,643,096
	2,912,344
Net Position (Deficit)	
Net investment in capital assets	3,218,911
Restricted for technology enhancement	380,638
Restricted for food service	177,674
Restricted for school and student activities	171,575
Restricted for capital projects	1,390,685
Unrestricted (deficit)	(18,933,421)
	(13,593,938)
	(13,593,938)

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

MASON CONSOLIDATED SCHOOLS

*Governmental Funds
Balance Sheet
June 30, 2021*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$2,172,938	\$1,390,685	\$724,903	\$4,288,526
Accounts/taxes receivable	1,155	0	0	1,155
Due from other governmental units	1,768,409	0	23,739	1,792,148
Due from other funds	452	0	5	457
Inventory	0	0	5,062	5,062
Deposits	8,985	0	0	8,985
Prepaid	80,207	0	3,397	83,604
Total Assets	\$4,032,146	\$1,390,685	\$757,106	\$6,179,937
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$230,081	\$0	\$11,990	\$242,071
Salaries payable	622,136	0	835	622,971
Other liabilities	415,126	0	705	415,831
Unearned revenue	51,626	0	8,587	60,213
Due to other governmental units	196,356	0	4,650	201,006
Due to other funds	5	0	452	457
Total Liabilities	1,515,330	0	27,219	1,542,549
Fund Balances				
Nonspendable:				
Inventory	0	0	5,062	5,062
Prepaid	80,207	0	3,397	83,604
Restricted for:				
Technology enhancement	0	0	379,544	379,544
Capital projects	0	1,390,685	0	1,390,685
Food service	0	0	170,309	170,309
Committed to:				
Building and grounds	176,148	0	0	176,148
Student and school activity	0	0	171,575	171,575
Unassigned	2,260,461	0	0	2,260,461
Total Fund Balances	2,516,816	1,390,685	729,887	4,637,388
Total Liabilities and Fund Balances	\$4,032,146	\$1,390,685	\$757,106	\$6,179,937

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, 2021*

Total Fund Balances - Governmental Funds		\$4,637,388
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	\$9,627,808	
Accumulated depreciation	<u>(6,408,897)</u>	
		3,218,911
Deferred outflows of resources from subsequent pension expense from measurement date		1,610,283
Deferred outflows of resources from subsequent OPEB expense from measurement date		344,299
Deferred outflows of resources related to pension investment returns, changes in assumptions and changes in experience		2,902,782
Deferred outflows of resources related to OPEB investment returns, changes in assumptions and changes in experience		1,293,910
Deferred inflows of resources resulting from net pension liability		(269,248)
Deferred inflows of resources resulting from net OPEB liability		(2,643,096)
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	(21,304,912)	
Net OPEB liability	(3,356,027)	
Compensated absences	<u>(28,228)</u>	
		<u>(24,689,167)</u>
Total Net Position - Governmental Activities		<u><u>(\$13,593,938)</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, 2021*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
Revenues				
Local sources	\$1,177,885	\$2,364	\$438,018	\$1,618,267
State sources	9,432,225	20,444	47,681	9,500,350
Federal sources	653,108	0	482,517	1,135,625
Interdistrict and other sources	502,232	0	0	502,232
	<u>11,765,450</u>	<u>22,808</u>	<u>968,216</u>	<u>12,756,474</u>
Expenditures				
Current:				
Instruction	7,031,874	0	268,645	7,300,519
Support services	3,889,893	0	233,409	4,123,302
Community service	41,604	0	0	41,604
Food service	0	0	442,398	442,398
Interdistrict and other uses	0	0	2,130	2,130
Capital outlay	0	116,802	0	116,802
	<u>10,963,371</u>	<u>116,802</u>	<u>946,582</u>	<u>12,026,755</u>
Net Change in Fund Balances	802,079	(93,994)	21,634	729,719
Fund Balances - Beginning of year, restated	1,714,737	1,484,679	708,253	3,907,669
Fund Balances - End of year	<u>\$2,516,816</u>	<u>\$1,390,685</u>	<u>\$729,887</u>	<u>\$4,637,388</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, 2021*

Total Net Change in Fund Balances - Governmental Funds	\$729,719
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	(\$190,510)
Capital outlay	90,000
	<hr/>
	(100,510)
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	(921,082)
Net change in OPEB liability	982,093
Net change in the deferred inflow of resources related to the net pension liability	745,488
Net change in the deferred inflow of resources related to the net OPEB liability	(803,447)
Net change between actual pension contributions and the cost of benefits earned, net of employer contributions	(1,158,680)
Net change between actual OPEB contributions and the cost of benefits earned, net of employer contributions	338,406
Decreases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the governmental funds.	4,328
	<hr/>
Change in Net Position of Governmental Activities	(\$183,685)

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

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

Reporting Entity

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

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

Note 2 **Summary of Significant Accounting Policies**

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

Basis of Presentation

A. District-Wide and Fund Financial Statements

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Basis of Presentation (Continued)

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

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

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

The School District reports the following major governmental funds:

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

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

The School District reports the following nonmajor governmental funds:

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

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Basis of Presentation (Continued)

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

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

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

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

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension and OPEB contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Basis of Presentation (Continued)

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

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

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

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

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

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

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Basis of Presentation (Concluded)

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

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

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

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

G. Restricted Assets

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

H. Reclassifications

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

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, 2021, the School District incurred expenditures in certain budgetary functions which were in excess of the amounts appropriated. There were no deficit fund balances for any of the School District's funds required to be budgeted. For the year ended June 30, 2021, expenditures exceeded final budgeted amounts in the following fund:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Student and School Activity Fund	<u>\$75,000</u>	<u>\$83,526</u>	<u>(\$8,526)</u>

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

Note 4 **Deposits and Investments**

As of June 30, 2021, the School District's deposits and investments are all on deposit with First Merchants Bank, Fifth Third Bank, Flagstar Bank, and Huntington Bank.

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to the School District. The School District has \$4,439,379 invested in checking accounts and money markets. The School District's deposits are insured by the FDIC in the amount of \$1,155,485. Uninsured deposits are \$3,283,894.

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, 2021

Note 5 **Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Assets not being depreciated:				
Land	\$8,484	\$0	\$0	\$8,484
Capital assets being depreciated:				
Land improvements	1,502,452	0	0	1,502,452
Buildings and building improvements	6,903,309	90,000	0	6,993,309
Machinery and equipment	981,082	0	0	981,082
Buses	101,448	0	0	101,448
Vehicles	41,033	0	0	41,033
	9,529,324	90,000	0	9,619,324
Total capital assets	9,537,808	90,000	0	9,627,808
Less accumulated depreciation:				
Land improvements	(1,056,084)	(43,708)	0	(1,099,792)
Buildings and building improvements	(4,436,002)	(97,588)	0	(4,533,590)
Machinery and equipment	(603,532)	(46,398)	0	(649,930)
Buses	(101,448)	0	0	(101,448)
Vehicles	(21,321)	(2,816)	0	(24,137)
	(6,218,387)	(190,510)	0	(6,408,897)
Total accumulated depreciation	(6,218,387)	(190,510)	0	(6,408,897)
Net capital assets	\$3,319,421	(\$100,510)	\$0	\$3,218,911

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

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

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables:

	Due From:		
Due To:	General Fund	Technology Fund	Total
General Fund	\$0	\$452	\$452
Food Service Fund	5	0	5
	\$5	\$452	\$457

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 2020-21 fiscal year.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

Note 7 Defined Benefit Pension Plans and Postemployment Benefits

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

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

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

The System's financial statements are available on the ORS website at michigan.gov/orsschools.

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

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

Contributions 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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Contributions and Funded Status (Concluded) - The schedule below summarizes pension contribution rates in effect for fiscal year 2020.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	19.41%
Member Investment Plan	3.0 - 7.0%	19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0	13.39%

Required contributions to the pension plan from the District were \$1,704,420 for the year ended September 30, 2020.

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

Pension Liabilities - At June 30, 2021, the School District reported a liability of \$21,304,912 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled-forward from September 2019. 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, 2020, the School District's proportion was 0.06202107 percent, which was an increase of 4.32333 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$3,124,525. At June 30, 2021, 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	\$325,522	(\$45,472)
Changes of assumptions	2,360,790	0
Net differences between projected and actual earnings on pension plan investments	89,514	0
Changes in proportion and differences between school district contributions and proportionate share of contributions	126,956	(223,776)
School district's contributions subsequent to the measurement date	1,610,283	0
	<u>\$4,513,065</u>	<u>(\$269,248)</u>

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded) - Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

	<u>Amount</u>
2021	\$1,210,966
2022	821,949
2023	447,268
2024	<u>153,351</u>
	<u>\$2,633,534</u>

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80%, net of investment expenses
- Pension Plus Plan	6.80%, net of investment expenses
- Pension Plus 2 Plan	6.00%, net of investment expenses
Projected Salary Increases:	2.75 –11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 4.4892.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/orsschools.

The long-term expected rate of return on plan assets - The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.6%
Private Equity Pools	16.00	9.3
International Equity Pools	15.00	7.4
Fixed Income Pools	10.50	0.5
Real Estate and Infrastructure Pools	10.00	4.9
Absolute Return Pools	9.00	3.2
Real Return/Opportunistic Pools	12.50	6.6
Short Term Investment Pools	2.00	0.1
	<u>100.00%</u>	

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

Rate of return – For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

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

Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate - The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (5.8% / 5.8% / 5.0%)	Current Single Discount Rate Assumption (6.8% / 6.8% / 6.0%)	1% Increase (7.8% / 7.8% / 7.0%)
\$27,575,595	\$21,304,912	\$16,107,914

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

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 michigan.gov/orsschools.

Payable to the Pension Plan – At June 30, 2021, the School District reported a payable of approximately \$270,352 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

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

The System's financial statements are available on the ORS website at michigan.gov/orsschools.

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Contributions (Concluded) – The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from School District were \$442,598 for the year ended September 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the School District reported a liability of \$3,356,027 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020, the School District's proportion was .06264438 percent, which was a decrease of 29.26356 percent from its proportion measured as of October 1, 2019.

For the year ending June 30, 2021, the School District recognized OPEB income of \$97,503. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$0	(\$2,500,554)
Changes of assumptions	1,106,549	0
Net differences between projected and actual earnings on OPEB plan investments	28,010	0
Changes in proportion and differences between school district contributions and proportionate share of contributions	159,351	(142,542)
School district's contributions subsequent to the measurement date	344,299	0
	\$1,638,209	(\$2,643,096)

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

	<u>Amount</u>
2021	(\$375,657)
2022	(337,953)
2023	(277,543)
2024	(211,643)
2025	<u>(146,390)</u>
	<u>(\$1,349,186)</u>

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%, net of investment expenses
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Health Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Summary of Actuarial Assumptions (Concluded)

Other Assumptions:

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

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

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2017, 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: 5.6018
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at 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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.6%
Private Equity Pools	16.00	9.3
International Equity Pools	15.00	7.4
Fixed Income Pools	10.50	0.5
Real Estate and Infrastructure Pools	10.00	4.9
Absolute Return Pools	9.00	3.2
Real Return/Opportunistic Pools	12.50	6.6
Short Term Investment Pools	2.00	(0.1)
	<u>100.00%</u>	

*Long-term rates of return are net of administrative expenses and 2.1% inflation.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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

Rate of Return - For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. 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 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$4,311,198	\$3,356,027	\$2,551,853

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
\$2,521,062	\$3,356,027	\$4,305,696
\$2,521,062	\$3,356,027	\$4,305,696

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at michigan.gov/orsschools.

Payable to the OPEB Plan - At June 30, 2021, the School District reported a payable of approximately \$56,982 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

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 **Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2021, the School District reported \$60,213 in unearned revenue.

Note 11 **Long-Term Debt**

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

	Balance			Balance	Amounts
	July 1, 2020	Additions	Payments	June 30, 2021	Due in
					One Year
Other Liabilities:					
Compensated absences	\$32,556	\$0	\$4,328	\$28,228	\$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 12 **Lease Commitments - Operating Leases**

The School District entered into an operating lease agreement with MT Business Technologies for the use of a copy machine. The lease term is forty-eight (48) months, ending December 20, 2021, with payments of \$1,099 per month.

The School District entered into an operating lease agreement with Tax Exempt Leasing Corp. for the use of seven general education busses and one special education bus. The lease term is three years, ending June 20, 2021, with payments of \$95,309 per year.

The School District entered into an operating lease agreement with Tax Exempt Leasing Corp. for the use of one general education bus. The lease term is three years, ending August 1, 2021, with payments of \$13,328 for the first two years, and a balloon payment of \$44,000 in the third year.

The School District entered into an operating lease agreement with Tax Exempt Leasing Corp. for the use of seven general education buses and one special education bus. The lease term is six years, ending July 15, 2026, with payments of \$92,112 for the five years, and a balloon payment of \$259,100 in the sixth year.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

Note 12 **Lease Commitments - Operating Leases (Concluded)**

Obligations of governmental activities under operating leases at June 30, 2021 were as follows:

Year Ended June 30,	MT Business Leasing	Tax Exempt	Total
		Leasing Corp	
2022	\$6,594	\$136,112	\$142,706
2023	0	92,112	92,112
2024	0	92,112	92,112
2025	0	92,112	92,112
2026	0	92,112	92,112
2027	0	259,100	259,100
	<u>\$6,594</u>	<u>\$763,660</u>	<u>\$770,254</u>

Note 13 **Property Taxes**

Property taxes are recorded as revenue when levied and received by the various governmental units that collect the School District's taxes. The School District's 2020 property taxes were levied on December 1, 2020 on assessed valuations as of December 31, 2019. Taxes were collected beginning December 1, 2020 and payments were due by February 14, 2021. Taxable values are based on a percentage of the fair market value of the assessed property.

The following is a summary of the 2020 property tax levy:

	<u>Taxable Value</u>	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund:			
Non-Homestead	\$64,991,459	18.0000	\$1,169,846
Commercial Personal Property	1,969,242	6.0000	11,815
			<u>\$1,181,662</u>

Note 14 **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, 2021, the School District's property tax revenue for general obligations was reduced by approximately \$2,500 under these programs. There were no tax abatements made by the School District.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

Note 15 **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, 2021, the School District did incur claims in the amount of \$1,379.

Note 16 **Cafeteria Contract**

During the fiscal year ended June 30, 2021, 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.

Note 17 **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, 2021.

B. Litigation

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

Note 18 **Risk Management and Insurance Pool**

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

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

Note 19 **Governmental Regulation**

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2021

Note 20 **Sinking Fund**

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

Note 21 **Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued GASB Statement Number 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

Note 22 **Adoption of New Accounting Standard**

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities no longer meet the definition of fiduciary activities. Therefore, student activities are now reported within a nonmajor governmental special revenue fund. The effect of this new standard on net position/fund balance is as follows:

	<u>Governmental Activities</u>	<u>Nonmajor Funds</u>
Net position/fund balance as previously stated July 1, 2020	(\$13,592,015)	\$526,491
Adoption of GASB 84 - to change fund type	181,762	181,762
Net position/fund balance as restated July 1, 2020	<u>(\$13,410,253)</u>	<u>\$708,253</u>

Note 23 **Subsequent Events**

The School District's management evaluated subsequent events from June 30, 2021 through September 30, 2021, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the ultimate impact and duration of this outbreak is uncertain, the School District anticipates a negative impact on net assets, operations, and cash flows. Possible effects include, but are not limited to, decreases in property taxes, federal and state grants, charges for services, and other revenue. The School District has received Federal and State funding to compensate for the additional demands from COVID-19, including additional staff and safety measures for providing services to pupils, however the duration of these funds is highly uncertain. For these reasons, the financial impact of COVID-19 cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$2,197,683	\$1,174,508	\$1,177,885	\$3,377
State sources	7,645,877	9,372,089	9,432,225	60,136
Federal sources	297,658	676,489	653,108	(23,381)
Interdistrict and other sources	337,437	490,556	502,232	11,676
Total Revenues	10,478,655	11,713,642	11,765,450	51,808
Expenditures				
Instruction:				
Basic programs	5,566,815	5,847,489	5,711,802	135,687
Added needs	1,335,243	1,424,434	1,320,072	104,362
Support services:				
Pupil	724,336	687,075	662,781	24,294
Instructional staff	64,228	97,371	43,351	54,020
General administration	330,036	347,958	307,641	40,317
School administration	676,651	722,392	694,376	28,016
Business administration	238,155	244,733	237,618	7,115
Operation and maintenance	1,081,028	1,247,153	1,080,697	166,456
Pupil transportation	488,479	527,462	464,728	62,734
Athletics	321,960	331,114	307,441	23,673
Central services	78,224	94,857	89,380	5,477
Other support services	0	0	1,880	(1,880)
Community service:				
Community recreation	3,058	3,058	290	2,768
Non-public school pupils	47,147	66,122	41,314	24,808
Total Expenditures	10,955,360	11,641,218	10,963,371	677,847
Net Change in Fund Balances	(476,705)	72,424	802,079	729,655
Fund Balances - Beginning of year	1,106,092	1,714,737	1,714,737	0
Fund Balances - End of year	<u>\$629,387</u>	<u>\$1,787,161</u>	<u>\$2,516,816</u>	<u>\$729,655</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)*

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

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

MASON CONSOLIDATED SCHOOLS

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

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

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

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

MASON CONSOLIDATED SCHOOLS

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

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

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

MASON CONSOLIDATED SCHOOLS

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

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

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

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

MASON CONSOLIDATED SCHOOLS
Notes to Required Supplemental Information
Year Ended June 30, 2021

Pension Information

Benefit Changes

There were no changes of benefit terms for the pension plan year ended 2020.

Assumption Changes

There were no changes of assumptions for the pension plan year ended 2020.

OPEB Information

Benefit Changes

There were no changes of benefit terms for the OPEB plan year ended 2020.

Assumption Changes

There were no changes of assumptions for the OPEB plan year ended 2020, except for the following:

- 2020 – The OPEB healthcare cost rate assumption used in the September 30, 2020 valuation was 7.0% year 1 graded to 3.5% year 15, 3.0% year 120.
- 2019 – The OPEB healthcare cost rate assumption used in the September 30, 2019 valuation was 7.5% year 1 graded to 3.5% year 12.

OTHER SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Revenues-Budget and Actual
Year Ended June 30, 2021*

	Final Budget	Actual	Positive (Negative) Budget
Local Sources			
Property taxes	\$1,142,833	\$1,143,895	\$1,062
Tuition	8,160	8,160	0
Athletics	20,833	22,179	1,346
Interest income	914	1,085	171
Reimbursements and donations	900	1,895	995
Other revenue	868	671	(197)
Total Local Sources	<u>1,174,508</u>	<u>1,177,885</u>	<u>3,377</u>
State Sources			
Unrestricted grants:			
State school aid	7,377,965	7,399,124	21,159
Restricted grants:			
Special education-Headlee obligation	465,945	465,948	3
Early literacy	14,116	998	(13,118)
At Risk	388,473	396,310	7,837
Great Start Readiness Preschool	78,212	80,754	2,542
Career and technical	15,818	15,818	0
Headlee obligation for data collection	27,626	27,619	(7)
MPERS rate offset/UAAL/reform	970,771	1,010,665	39,894
Other state grants	33,163	34,989	1,826
Total State Sources	<u>9,372,089</u>	<u>9,432,225</u>	<u>60,136</u>
Federal Sources			
Title I	115,270	133,038	17,768
Title II	64,147	12,822	(51,325)
Title IV	10,000	9,082	(918)
ESSER I/ESSER II	99,524	107,432	7,908
CARES Act - district COVID costs	13,152	13,152	0
Coronavirus relief	372,896	372,897	1
Indian education	0	3,120	3,120
Transfer from intermediate school district:			
Medicaid outreach	1,500	1,565	65
Total Federal Sources	<u>676,489</u>	<u>653,108</u>	<u>(23,381)</u>
Interdistrict and Other Sources			
Transfer from intermediate school district:			
County special education tax	431,159	444,335	13,176
Insurance reimbursements	54,245	54,245	0
Other revenue	5,152	3,652	(1,500)
Total Interdistrict and Other Sources	<u>490,556</u>	<u>502,232</u>	<u>11,676</u>
Total Revenues	<u><u>\$11,713,642</u></u>	<u><u>\$11,765,450</u></u>	<u><u>\$51,808</u></u>

MASON CONSOLIDATED SCHOOLS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2021

	Salaries	Employee Benefits	Purchased Services
Instruction			
Basic Programs:			
Elementary	\$1,304,724	\$955,185	\$51,110
Middle School	662,107	521,416	32,767
High School	967,385	695,682	71,536
Pre-School	61,633	24,360	0
Summer School	3,213	1,096	0
	<u>2,999,062</u>	<u>2,197,739</u>	<u>155,413</u>
Added Needs:			
Special education	417,170	287,196	359
Compensatory education	295,935	195,123	0
Career and technical education	52,236	37,973	71
	<u>765,341</u>	<u>520,292</u>	<u>430</u>
 Total Instruction	 <u>3,764,403</u>	 <u>2,718,031</u>	 <u>155,843</u>
Support Services			
Pupil:			
Truancy	26,147	20,508	0
Guidance	64,444	52,993	0
Health	0	0	0
Speech	64,392	52,286	0
Social work services	61,794	44,665	0
Teacher Consultant	43,071	29,312	0
Other pupil services	110,152	86,369	0
	<u>370,000</u>	<u>286,133</u>	<u>0</u>
Instructional Staff:			
Improvement of instruction	0	24	12,810
Educational media services	14,624	15,847	0
Technology assisted instruction	0	0	0
	<u>14,624</u>	<u>15,871</u>	<u>12,810</u>
General Administration:			
Board of education	0	7	34,677
Executive administration	148,701	112,635	1,727
	<u>148,701</u>	<u>112,642</u>	<u>36,404</u>
School Administration:			
Office of the principal	388,990	269,601	2,239
Other school administration	0	0	315
	<u>388,990</u>	<u>269,601</u>	<u>2,554</u>
Business Administration:			
Fiscal services	114,373	103,068	363
Internal services	0	0	359
Other business services	0	0	6,805
	<u>114,373</u>	<u>103,068</u>	<u>7,527</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Positive (Negative) Budget
\$38,150	\$10,850	\$0	\$2,360,019	\$2,392,374	\$32,355
9,957	10,850	0	1,237,097	1,269,316	32,219
7,418	16,275	265,737	2,024,033	2,086,036	62,003
351	0	0	86,344	99,763	13,419
0	0	0	4,309	0	(4,309)
<u>55,876</u>	<u>37,975</u>	<u>265,737</u>	<u>5,711,802</u>	<u>5,847,489</u>	<u>135,687</u>
309	0	0	705,034	759,590	54,556
0	0	0	491,058	529,567	38,509
33,320	380	0	123,980	135,278	11,298
<u>33,629</u>	<u>380</u>	<u>0</u>	<u>1,320,072</u>	<u>1,424,435</u>	<u>104,363</u>
<u>89,505</u>	<u>38,355</u>	<u>265,737</u>	<u>7,031,874</u>	<u>7,271,924</u>	<u>240,050</u>
0	0	0	46,655	48,455	1,800
39	0	0	117,476	123,583	6,107
300	0	0	300	300	0
537	0	0	117,215	118,019	804
74	0	5,698	112,231	117,256	5,025
0	0	0	72,383	73,773	1,390
0	0	0	196,521	205,689	9,168
<u>950</u>	<u>0</u>	<u>5,698</u>	<u>662,781</u>	<u>687,075</u>	<u>24,294</u>
0	0	0	12,834	65,736	52,902
46	0	0	30,517	31,635	1,118
0	0	0	0	0	0
<u>46</u>	<u>0</u>	<u>0</u>	<u>43,351</u>	<u>97,371</u>	<u>54,020</u>
1,018	0	4,884	40,586	66,980	26,394
2,103	1,282	607	267,055	280,978	13,923
<u>3,121</u>	<u>1,282</u>	<u>5,491</u>	<u>307,641</u>	<u>347,958</u>	<u>40,317</u>
25,108	767	1,505	688,210	710,382	22,172
5,851	0	0	6,166	12,011	5,845
<u>30,959</u>	<u>767</u>	<u>1,505</u>	<u>694,376</u>	<u>722,393</u>	<u>28,017</u>
1,579	1,137	9,797	230,317	236,208	5,891
137	0	0	496	1,720	1,224
0	0	0	6,805	6,805	0
<u>1,716</u>	<u>1,137</u>	<u>9,797</u>	<u>237,618</u>	<u>244,733</u>	<u>7,115</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2021*

	Salaries	Employee Benefits	Purchased Services
(Concluded)			
Support Services			
Operation and Maintenance:			
Buildings and grounds	\$112,928	\$96,189	\$446,265
Security services	0	0	30,463
	<u>112,928</u>	<u>96,189</u>	<u>476,728</u>
Pupil Transportation	181,627	99,259	144,969
Athletics	73,749	58,826	151,838
Central Services:			
Communication services	20,280	17,893	2,272
Staff services	11,665	4,666	8,715
Technology	0	0	2,369
Pupil accounting	5,228	6,004	0
	<u>37,173</u>	<u>28,563</u>	<u>13,356</u>
Other Support Services:			
Other student/school activity	666	118	333
Total Support Services	<u>1,442,831</u>	<u>1,070,270</u>	<u>846,519</u>
Community Service			
Community recreation	0	290	0
Non-public school pupils	25,061	15,141	1,112
Total Community Service	<u>25,061</u>	<u>15,431</u>	<u>1,112</u>
Total Expenditures	<u><u>\$5,232,295</u></u>	<u><u>\$3,803,732</u></u>	<u><u>\$1,003,474</u></u>

<u>Supplies and Materials</u>	<u>Capital Outlay</u>	<u>Other Expenses</u>	<u>Totals</u>	<u>Final Budget</u>	<u>Positive (Negative) Budget</u>
\$326,985	\$65,397	\$2,470	\$1,050,234	\$1,212,238	\$162,004
0	0	0	30,463	34,915	4,452
<u>326,985</u>	<u>65,397</u>	<u>2,470</u>	<u>1,080,697</u>	<u>1,247,153</u>	<u>166,456</u>
38,713	0	160	464,728	527,462	62,734
14,424	2,626	5,978	307,441	331,114	23,673
0	0	0	40,445	46,325	5,880
163	0	0	25,209	15,064	(10,145)
0	0	9,955	12,324	21,969	9,645
0	0	170	11,402	11,499	97
<u>163</u>	<u>0</u>	<u>10,125</u>	<u>89,380</u>	<u>94,857</u>	<u>5,477</u>
263	0	500	1,880	0	(1,880)
<u>417,340</u>	<u>71,209</u>	<u>41,724</u>	<u>3,889,893</u>	<u>4,300,116</u>	<u>410,223</u>
0	0	0	290	3,058	2,768
0	0	0	41,314	66,122	24,808
0	0	0	41,604	69,180	27,576
<u>\$506,845</u>	<u>\$109,564</u>	<u>\$307,461</u>	<u>\$10,963,371</u>	<u>\$11,641,220</u>	<u>\$677,849</u>

MASON CONSOLIDATED SCHOOLS

*Sinking Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Property taxes	\$0	\$0	\$8	\$8
Interest income	0	2,700	2,356	(344)
	<u>0</u>	<u>2,700</u>	<u>2,364</u>	<u>(336)</u>
State Sources:				
Local community stabilization share	0	20,444	20,444	0
Total Revenues	0	23,144	22,808	(336)
Expenditures				
Support services:				
Fiscal	400	400	8	392
Business	0	0	0	0
Operations and maintenance:				
Purchased services	0	200	86	114
Capital outlay	0	15,000	7,487	7,513
Building improvements:				
Purchased services	0	15,000	5,246	9,754
Capital outlay	500,000	260,000	103,975	156,025
Total Expenditures	<u>500,400</u>	<u>290,600</u>	<u>116,802</u>	<u>173,798</u>
Net Change in Fund Balances	(500,400)	(267,456)	(93,994)	173,462
Fund Balance - Beginning of year	<u>1,148,516</u>	<u>1,484,679</u>	<u>1,484,679</u>	<u>0</u>
Fund Balance - End of year	<u><u>\$648,116</u></u>	<u><u>\$1,217,223</u></u>	<u><u>\$1,390,685</u></u>	<u><u>\$173,462</u></u>

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Balance Sheet
Year Ended June 30, 2021*

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Student and School Activity	Technology	
Assets				
Cash and cash equivalents	\$173,157	\$171,575	\$380,171	\$724,903
Due from other governmental units	23,739	0	0	23,739
Due from other funds	5	0	0	5
Inventory	5,062	0	0	5,062
Prepaid	2,303	0	1,094	3,397
	<u>204,266</u>	<u>171,575</u>	<u>381,265</u>	<u>757,106</u>
Total Assets				
Liabilities				
Accounts payable	\$11,990	\$0	\$0	\$11,990
Salaries payable	835	0	0	835
Other liabilities	530	0	175	705
Unearned Revenue	8,587	0	0	8,587
Due to other governmental units	4,650	0	0	4,650
Due to other funds	0	0	452	452
	<u>26,592</u>	<u>0</u>	<u>627</u>	<u>27,219</u>
Total Liabilities				
Fund Balances				
Nonspendable:				
Inventory	5,062	0	0	5,062
Prepaid	2,303	0	1,094	3,397
Restricted for:				
Technology enhancement	0	0	379,544	379,544
Food service	170,309	0	0	170,309
Committed to:				
Student and school activity	0	171,575	0	171,575
	<u>177,674</u>	<u>171,575</u>	<u>380,638</u>	<u>729,887</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$204,266</u>	<u>\$171,575</u>	<u>\$381,265</u>	<u>\$757,106</u>

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021*

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Student and School Activity	Technology	
Revenues				
Local sources	\$2,467	\$73,339	\$362,212	\$438,018
State sources	37,564	0	10,117	47,681
Federal sources	448,157	0	34,360	482,517
Total Revenues	488,188	73,339	406,689	968,216
Expenditures				
Support services	0	83,526	0	83,526
Food service	442,398	0	0	442,398
Technology	0	0	420,658	420,658
Total Expenditures	442,398	83,526	420,658	946,582
Net Change in Fund Balances	45,790	(10,187)	(13,969)	21,634
Fund Balances - Beginning of year, restated	131,884	181,762	394,607	708,253
Fund Balances - End of year	<u>\$177,674</u>	<u>\$171,575</u>	<u>\$380,638</u>	<u>\$729,887</u>

MASON CONSOLIDATED SCHOOLS

*Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Food sales	\$166,568	\$3,150	\$2,429	(\$721)
Interest income	0	10	38	28
	<u>166,568</u>	<u>3,160</u>	<u>2,467</u>	<u>(693)</u>
State Sources:				
Restricted grants	40,942	43,018	37,564	(5,454)
Federal Sources:				
Restricted grants	368,556	390,489	420,911	30,422
Commodities	30,147	30,147	27,246	(2,901)
	<u>398,703</u>	<u>420,636</u>	<u>448,157</u>	<u>27,521</u>
Total Revenues	606,213	466,814	488,188	21,374
Expenditures				
Support services:				
Staff services	120	120	0	120
Food service:				
Salaries	139,813	122,112	109,508	12,604
Employee benefits	81,921	76,427	73,816	2,611
Purchased services	110,101	103,570	97,243	6,327
Supplies and materials	276,750	195,603	160,054	35,549
Capital outlay	5,250	1,250	912	338
Other	5,915	5,874	865	5,009
	<u>619,870</u>	<u>504,956</u>	<u>442,398</u>	<u>62,558</u>
Total Expenditures	619,870	504,956	442,398	62,558
Net Change in Fund Balances	(13,657)	(38,142)	45,790	83,932
Fund Balance - Beginning of year	<u>94,555</u>	<u>131,884</u>	<u>131,884</u>	<u>0</u>
Fund Balance - End of year	<u><u>\$80,898</u></u>	<u><u>\$93,742</u></u>	<u><u>\$177,674</u></u>	<u><u>\$83,932</u></u>

MASON CONSOLIDATED SCHOOLS

*Student and School Activity Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Student and school activities	\$140,000	\$75,000	\$73,339	(\$1,661)
Expenditures				
Student and School Activities:				
Student and school activities	140,000	75,000	83,526	(8,526)
Net Change in Fund Balance	0	0	(10,187)	(10,187)
Fund Balance - Beginning of year, restated	0	0	181,762	181,762
Fund Balance - End of year	\$0	\$0	\$171,575	\$171,575

MASON CONSOLIDATED SCHOOLS

Technology Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local sources:				
Property taxes	\$325,000	\$334,143	\$347,246	\$13,103
Interest income	0	147	456	309
Donations	0	14,510	14,510	0
	<u>325,000</u>	<u>348,800</u>	<u>362,212</u>	<u>13,412</u>
State sources:				
Restricted grants:				
MPSERS UAAL	13,429	10,100	10,117	17
Federal Sources:				
Restricted grants	0	34,360	34,360	0
	<u>0</u>	<u>34,360</u>	<u>34,360</u>	<u>0</u>
Total Revenues	338,429	393,260	406,689	13,429
Expenditures				
Instruction:				
Salaries	25,547	0	105	(105)
Employee benefits	16,431	17	24	(7)
Purchased services	63,110	43,679	44,578	(899)
Supplies and materials	5,100	2,780	1,413	1,367
Capital outlay	65,100	231,609	222,525	9,084
	<u>175,288</u>	<u>278,085</u>	<u>268,645</u>	<u>9,440</u>
Support services:				
Salaries	66,000	70,668	70,667	1
Employee benefits	55,945	57,673	56,823	850
Purchased services	18,550	21,288	20,436	852
Supplies and materials	1,350	1,980	1,220	760
Capital outlay	23,000	6,359	737	5,622
	<u>164,845</u>	<u>157,968</u>	<u>149,883</u>	<u>8,085</u>
Interdistrict and other uses:				
Payments to other governmental units	2,500	2,500	2,130	370
	<u>2,500</u>	<u>2,500</u>	<u>2,130</u>	<u>370</u>
Total Expenditures	342,633	438,553	420,658	17,895
Net Change in Fund Balances	(4,204)	(45,293)	(13,969)	31,324
Fund Balance - Beginning of year	362,496	394,607	394,607	0
Fund Balance - End of year	<u>\$358,292</u>	<u>\$349,314</u>	<u>\$380,638</u>	<u>\$31,324</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of Athletics
Budget and Actual
Year Ended June 30, 2021*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Admissions	\$16,870	\$20,933	\$22,179	\$1,246
Participation fees	0	0	0	0
Other revenue	0	3	9	6
Total local sources	<u>16,870</u>	<u>20,936</u>	<u>22,188</u>	<u>1,252</u>
State Sources:				
Restricted grants	10,500	10,500	12,687	2,187
Federal grants	<u>0</u>	<u>976</u>	<u>976</u>	<u>0</u>
Total Revenues	<u><u>\$27,370</u></u>	<u><u>\$32,412</u></u>	<u><u>\$35,851</u></u>	<u><u>\$3,439</u></u>
Expenditures				
Pupil Transportation:				
Salaries	\$13,850	\$19,681	\$16,606	\$3,075
Employee benefits	10,423	9,161	8,297	864
Staff Services:				
Purchased services	1,145	500	0	500
Athletics:				
Salaries	73,326	78,442	73,749	4,693
Employee benefits	59,344	61,012	58,826	2,186
Purchased services	163,200	158,568	151,838	6,730
Supplies and materials	23,340	24,526	14,424	10,102
Capital outlay	1,500	2,630	2,626	4
Other expenses	1,250	5,936	5,979	(43)
Total Expenditures	<u><u>\$347,378</u></u>	<u><u>\$360,456</u></u>	<u><u>\$332,345</u></u>	<u><u>\$28,111</u></u>

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2021*

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	S060A190275	\$7,468
Indian Education	S060A200275	6,609
		14,077
Passed Through State Department of Education:		
Title I, Part A - Improving Basic Programs	201530-1920	124,940
Title I, Part A - Improving Basic Programs	211530-2021	132,120
		257,060
Title II, Part A - Teacher/Principal Training & Recruiting	200520-1920	64,558
Title II, Part A - Teacher/Principal Training & Recruiting	210520-2021	64,147
		128,705
Title IV, Part A - SSAE	200750-1920	10,026
Title IV, Part A - SSAE	210750-2021	10,000
		20,026
Coronavirus Aid, Relief, and Economic Security Act		
COVID 19 - Governor's Emergency Education Relief (GEER) Funds	201200-20-21	55,521
COVID 19 - ESSER Formula Funds	203710-1920	99,524
COVID 19 - ESSER Formula II Funds	213712-20-21	194,122
		349,167
Total Passed Through State Dept. of Education		754,958
Total U.S. Department of Education		769,035
<u>U.S. Department of Treasury</u>		
Passed Through State Department of Education:		
COVID 19 - Coronavirus Relief Funds	21.019	373,639
COVID 19 - District COVID Costs	21.019	13,152
		386,791
Passed Through Intermediate School District:		
Coronavirus Relief Fund MiConnect	21.019	34,360
Total U.S. Department of Treasury		421,151

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2020	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2021
\$0	\$6,281	\$1,187	\$0	\$1,187
0	0	1,933	0	1,933
0	6,281	3,120	0	3,120
28,035	116,064	2,462	33,500	(3,003)
0	0	130,576	129,232	1,344
28,035	116,064	133,038	162,732	(1,659)
10,957	29,522	(571)	11,540	(1,154)
0	0	13,393	13,393	0
10,957	29,522	12,822	24,933	(1,154)
10,026	10,026	0	10,026	0
0	0	9,082	9,082	0
10,026	10,026	9,082	19,108	0
0	0	0	0	0
0	0	92,143	87,272	4,871
0	0	15,289	0	15,289
0	0	107,432	87,272	20,160
49,018	155,612	262,374	294,045	17,347
49,018	161,893	265,494	294,045	20,467
0	0	373,639	373,639	0
0	0	13,152	13,152	0
0	0	386,791	386,791	0
0	0	34,360	34,360	0
0	0	421,151	421,151	0

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2021*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Health and Human Services</u>		
Passed Through Intermediate School District:		
Medicaid Outreach	93.778	\$1,565
 <u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
Cash Assistance:		
National School Lunch Program		
COVID 19 - SFSP COVID19	200902	230,515
SFSP Operating	200900	81,110
Extended SFSP	210904	339,059
		650,684
Noncash Assistance:		
National Lunch Program Commodities	10.555	27,246
Total U.S. Department of Agriculture		677,930
Total Federal Financial Assistance		\$1,869,681

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2020	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2021
\$0	\$2,160	\$1,565	\$1,565	\$0
35,288	195,227	0	35,288	0
0	0	81,110	81,110	0
0	0	339,059	318,521	20,538
<u>35,288</u>	<u>195,227</u>	<u>420,169</u>	<u>434,919</u>	<u>20,538</u>
0	34,615	27,246	27,246	0
<u>\$35,288</u>	<u>\$229,842</u>	<u>447,415</u>	<u>\$462,165</u>	<u>\$41,005</u>
		<u>\$1,135,625</u>		

MASON CONSOLIDATED SCHOOLS

*Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021*

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, 2021. 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.
8. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities and are reported in the cash receipts column.
9. Revenues from federal sources are reported in the School District’s financial statements as follows:

General Fund	\$653,108
Food Service Fund	448,157
Technology Fund	34,360
	<hr/>
	\$1,135,625
	<hr/>

MASON CONSOLIDATED SCHOOLS

*Schedule of Findings and Questioned Costs
Year Ended June 30, 2021*

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Mason Consolidated Schools were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Mason Consolidated Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are disclosed in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Mason Consolidated Schools expresses an unmodified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for Mason Consolidated Schools.
7. The programs tested as major programs are the Coronavirus Aid, Relief, and Economic Security Act (CFDA # 84.425C & 84.425D), Coronavirus Relief Funds (CFDA #21.019), District Covid Costs (CFDA #21.019), and Coronavirus Relief Fund MiConnect (CFDA #21.019).
8. Type A programs are programs that exceed \$750,000 of federal expenditures. Type B programs are programs with federal expenditures at or below \$750,000.
9. Mason Consolidated Schools was determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None

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, 2021, 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,



September 30, 2021

COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2021

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, 2021. 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 July 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mason Consolidated Schools are described in Note 2 to the financial statements. During the fiscal year ended June 30, 2021, the School District implemented GASB 84, *Fiduciary Activities*. We noted no transactions entered into by the School District 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.

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

To the Board of Directors
Mason Consolidated Schools

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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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's 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 September 30, 2021.

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

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Other Matters (continued)

We were engaged to report on the nonmajor fund budget and actual statements 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,

Coolley Hill Jabs + Calkins