

MASON CONSOLIDATED SCHOOLS
Erie, Michigan

ANNUAL FINANCIAL REPORT
June 30, 2015

MASON CONSOLIDATED SCHOOLS

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**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA
Nicklaus W. Calkins, CPA

One South Monroe Street • Monroe, Michigan 48161-2230
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwcepa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

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, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension schedules on pages 7 through 15, 41 through 46, and 47 through 48, respectfully, 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 combining and individual nonmajor fund financial statements 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the 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 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.



October 7, 2015



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
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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, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 7, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 7, 2015



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Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance required by OMB Circular A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



October 7, 2015

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

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, 2015. 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 Adult/Alternative Education Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The following summary illustrates how the various parts of this annual report are arranged:

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

Basic Financial Statements

District-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for Major Funds

Pension Schedules

(Required Supplemental Information)

Other Supplemental Information

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities (pages 16-17), which appear first in the School District's financial statements, report information on the School District as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

The School District's Fund Financial Statements (pages 18-22) 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 19 and 21.

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

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis Year Ended June 30, 2015

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, 2015 and 2014.

Table 1

Comparative Statement of Net Position

	June 30, 2015	June 30, 2014
Current and other assets	\$4,220,193	\$3,305,994
Capital assets	2,442,096	2,322,975
Total Assets	6,662,289	5,628,969
Deferred outflows of resources	1,460,100	915,884
Current and other liabilities	2,452,389	2,121,114
Long-term liabilities	14,546,745	16,549,540
Total Liabilities	16,999,134	18,670,654
Deferred inflows of resources	1,603,798	0
Net Position		
Net investment in capital assets	2,442,096	2,322,975
Restricted for technology enhancement	154,931	113,602
Restricted for food service	128,993	137,668
Restricted for capital projects	256,958	0
Unrestricted	(13,463,521)	(14,700,046)
Total Net Position	(\$10,480,543)	(\$12,125,801)

As depicted in Table 1, the School District's net position was a deficit of \$10,480,543 at June 30, 2015. Of this amount, a negative \$13,463,521 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 liability will have a significant impact on the change in unrestricted net position from year to year.

During the 2014-15 year, the district implemented Governmental Accounting Standard Board Statement Number 68, Accounting and Financial Reporting for Pensions. As a result, amounts for June 30, 2014 in Tables 1 and 2 were restated. Refer to Note 19 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, 2015 and 2014.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

District–Wide Financial Analysis - Concluded

Table 2

Comparative Statement of Activities

	June 30, 2015	June 30, 2014
Revenues		
Program revenues:		
Charges for services	\$270,649	\$1,071,389
State grants and other revenue	2,051,701	1,360,100
Federal grants	249,295	524,125
	2,571,645	2,955,614
General revenues:		
Property taxes	1,927,790	1,633,991
State foundation allowance	7,084,195	6,921,471
Other general revenues	126,269	245,971
	9,138,254	8,801,433
 Total Revenues	 11,709,899	 11,757,047
 Functions/Program Expenses		
Instruction	6,015,869	17,767,947
Support services	3,377,859	8,348,649
Community services	36,501	197,145
Food services	533,024	668,358
Interest on long-term debt	0	3,695
Debt service - pass through commitment	0	145,000
Depreciation	101,388	96,777
	10,064,641	27,227,571
 Total Expenses	 10,064,641	 27,227,571
 Increase (Decrease) in Net Assets	 <u>\$1,645,258</u>	 <u>(\$15,470,524)</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$10,064,641. Of this amount, \$2,571,645 was subsidized with revenue generated from charges for services, grants, and other contributions with the remaining costs financed with general revenues.

The School District experienced an increase in net position this year of \$1,645,258. Revenues decreased by \$47,147. Expenses decreased by \$17,162,930 from the prior year. The decrease 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 21.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

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 \$1,184,880 which is an increase of \$104,731 from last year. The changes by major and nonmajor funds are as follows:

	General Fund	Nonmajor Funds	Total
Fund balances - Beginning of year	\$933,610	\$251,270	\$1,184,880
Increase (decrease)	293,312	289,612	582,924
Fund balances – End of year	\$1,226,922	\$540,882	\$1,767,804

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

Revenues	June 30, 2015	June 30, 2014	Percent Change
Local sources	\$1,286,142	\$1,482,659	(13.3)%
State sources	8,372,331	7,797,915	7.4 %
Federal sources	249,295	220,245	13.2 %
Interdistrict and other sources	475,927	499,483	(4.7)%
Total revenues	\$10,383,695	\$10,000,302	3.8 %

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

Fund Financial Analysis – Concluded

Expenditures	June 30, 2015	June 30, 2014	Percent Change
Instruction	\$6,542,458	\$6,257,105	4.6 %
Support services	3,502,014	3,571,497	(1.9)%
Community services	45,911	41,224	11.4 %
Other financing uses	<u>0</u>	<u>28,276</u>	(100.0)%
Total expenditures	<u>\$10,090,383</u>	<u>\$9,898,102</u>	1.9 %

General Fund Budgetary Highlights

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

Beginning Budget versus Ending Budget:

Revenues: The original budget for revenues was \$10,037,032 versus the final budget of \$10,558,911; an increase of \$521,879. Adjustments were as follows:

- An adjustment was made for the actual blended pupil count; 1,113.20 students were budgeted, actual blended count was 1,156.78. The net effect of changes to property taxes and the foundation amounted to an increase of approximately \$266,000.
- Special Education Headlee revenues decreased \$45,323; the Great Start Readiness Program allocation was increased by \$12,400 due to additional participants.
- At Risk grant revenues were increased in the amount of \$104,165 to account for carryover and change in new year allocation, Title II increased by \$31,113 for carryover.
- Other adjustments were as follows: sale of North School \$96,721, MPSERS Cost Offset and UAAL Rate Stabilization increased \$25,685 to reflect updated allocation.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

General Fund Budgetary Highlights - Continued

Expenditures: The original budget for expenditures and transfers was \$10,460,784 versus the final budget of \$10,564,294; this was an increase of \$103,510. Major components of the final budget versus the final actual expenditures are as discussed below:

- The budget was adjusted for the corresponding increases relating to the grant awards mentioned above.
- The Instructional Programs budget was decreased approximately \$200,000 for the MPSERS UAAL Rate Stabilization which was allocated to the remaining line items of the budget. The textbook budget was increased by \$16,000, budgets for tuition charges for middle college, seat time waiver programs, etc. were increased by \$31,000.
- The Operation and Maintenance budget was adjusted as follows: decreased \$20,000 for miscellaneous supplies, increased utilities by \$30,000; the budget for special projects was decreased by \$84,000 which was carried over to FY 15. The General Administration budget was increased \$26,000 for legal fees, the Support Services Business budget was decreased by \$32,000 for interest expense for state aid borrowing; the Pupil Transportation (regular and special education) budget was decreased by \$36,400. There was movement among many of the budget expenditure lines, however most were not significant overall.

Final Budget versus Actual Figures:

Revenues: General Fund actual revenue was \$10,000,302 versus a budget of \$10,123,465; a difference of \$123,163. All grants are budgeted at the full grant award amount; funds amounting to \$117,488 for At Risk, and \$18,618 for Great Start Readiness Program were not expended and were unearned and carried over to FY 15. Title I and II were budgeted in full, \$65,426 was not expended and will be budgeted as carryover in FY 15. The budget for property taxes was \$15,764 in excess of actual due to chargebacks from the county. Additional funds amounting to \$15,533 for the general fund were received after June 30th pertaining to the Adult Education program and were not included in the budget due to the timing of the receipt. A donation of property was recorded in the amount of \$26,500 for the athletics department.

Expenditures: Actual expenditures and transfers were \$9,898,102 versus a budget of \$10,247,504; a difference of \$349,402. Major components of final budget versus final actual expenditures are discussed below:

- Instruction expenditures related to Basic Programs were under budget \$66,441 due mostly to FICA and retirement expenditures being less than budget; unsettled contracts, numerous retirement rates and employee contributions for benefits were contributing factors.
- Expenditures for Added Needs were under budget by \$152,666. The At Risk grant was budgeted in full leaving a carryover balance of \$116,935; Title I was budgeted in full leaving carryover of \$27,790.
- Support Services Instructional staff expenditures were \$34,988 less than budget; Title II Professional Development was budgeted in full leaving a carryover balance of \$29,680.
- Business Administration expenditures were \$23,296 less than budget; this decrease was related to the interest expense for the state aid note borrowing.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2015*

General Fund Budgetary Highlights - Concluded

- Operation and Maintenance was an area that reflected actual expenditures \$31,903 less than budgeted. Utilities (heating, electricity, water and telephone) were approximately \$13,600 less than budget, contracted custodial services were \$7,400 less than budget, the expenditures for repair parts, various supply accounts, and purchased services were approximately \$5,800 less than budgeted.
- Athletics was over budget by \$22,663 due to the donation of a scoreboard with an approximate value of \$26,500 that was not included in the budget.
- Operating transfers were \$18,907 less than budget due to the additional Adult Education funds received that pertain to the Adult/Alternative Education fund which reduced the amount of deficit for that fund thus reducing the transfer needed from the general fund.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the School District had \$8,365,892 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 \$220,509 consisted of ceiling work, lavatories, drinking fountains, high school gymnasium floor and bleachers, asphalt, and equipment. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

Debt Administration

At June 30, 2015, the School District had other obligations which include accrued vacation and sick pay of \$39,354. More detailed information about long-term liabilities is presented in Note 10 to the Financial Statements.

Development of the 2015-16 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the School District's 2015-16 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 2016 fiscal year is 90 percent of the October 2015 student count and 10 percent of the following February's count. The District projected a blended pupil count of 1,126.10 for budgeting purposes. Approximately 80% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a \$50/pupil equity payment plus \$125/pupil foundation increase to reflect the new minimum foundation of \$7,250/pupil.

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

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis
Year Ended June 30, 2015

Development of the 2015-16 Fiscal Year Budget - Concluded

The budget for the 2015-16 fiscal year was adopted on June 23, 2015. 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, 2015

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$2,604,541
Accounts/taxes receivable	3,125
Due from other governmental units	1,599,395
Inventory	3,343
Deposits	9,000
Prepaid	789
Capital assets less accumulated depreciation	2,442,096
	<hr/>
Total Assets	6,662,289
Deferred Outflows of Resources	
Deferred amount of pension expense	1,460,100
	<hr/>
Liabilities	
Accounts payable	355,701
Note payable	814,286
Salaries payable	625,782
Due to other governmental units	125,679
Other liabilities	407,800
Unearned revenue	123,141
Long-term liabilities:	
Net pension liability	14,507,391
Compensated absences, due in more than one year	39,354
	<hr/>
Total Liabilities	16,999,134
Deferred Inflows of Resources	
Deferred amount of net pension liability	1,603,798
	<hr/>
Net Position	
Net investment in capital assets	2,442,096
Restricted for technology enhancement	154,931
Restricted for food service	128,993
Restricted for capital projects	256,958
Unrestricted	(13,463,521)
	<hr/>
Total Net Position	(\$10,480,543)
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

MASON CONSOLIDATED SCHOOLS

*Governmental Funds
Balance Sheet
June 30, 2015*

	General	Other Nonmajor Governmental Funds	Totals
Assets			
Cash and cash equivalents	\$2,186,534	\$418,007	\$2,604,541
Accounts/taxes receivable	2,783	342	3,125
Due from other governmental units	1,589,030	10,365	1,599,395
Due from other funds	0	333,905	333,905
Inventory	0	3,343	3,343
Deposits	9,000	0	9,000
Prepaid	185	604	789
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$3,787,532</u>	<u>\$766,566</u>	<u>\$4,554,098</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$143,874	\$211,827	\$355,701
Note payable	814,286	0	814,286
Salaries payable	623,561	2,221	625,782
Other liabilities	403,257	4,543	407,800
Unearned revenue	116,048	7,093	123,141
Due to other governmental units	125,679	0	125,679
Due to other funds	333,905	0	333,905
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,560,610</u>	<u>225,684</u>	<u>2,786,294</u>
Fund Balances			
Nonspendable:			
Inventory	0	3,343	3,343
Prepaid	185	604	789
Restricted for:			
Technology enhancement	0	154,931	154,931
Capital projects	0	256,958	256,958
Food service	0	125,046	125,046
Committed to:			
Building and grounds	167,512	0	167,512
Unassigned	1,059,225	0	1,059,225
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,226,922</u>	<u>540,882</u>	<u>1,767,804</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$3,787,532</u>	<u>\$766,566</u>	<u>\$4,554,098</u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2015*

Total Fund Balances - Governmental Funds		\$1,767,804
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	\$8,365,892	
Accumulated depreciation	<u>(5,923,796)</u>	
		2,442,096
Deferred outflows of resources from subsequent pension expense from measurement date		1,460,100
Deferred inflows of resources resulting from net pension liability		(1,603,798)
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	(14,507,391)	
Compensated absences	<u>(39,354)</u>	
		<u>(14,546,745)</u>
Total Net Position - Governmental Activities		<u><u>(\$10,480,543)</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, 2015*

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
Revenues			
Local sources	\$1,286,142	\$953,683	\$2,239,825
State sources	8,372,331	60,539	8,432,870
Federal sources	249,295	311,982	561,277
Interdistrict and other sources	<u>475,927</u>	<u>0</u>	<u>475,927</u>
Total Revenues	10,383,695	1,326,204	11,709,899
Expenditures			
Current:			
Instruction	6,542,458	139,408	6,681,866
Support services	3,502,014	106,327	3,608,341
Community service	45,911	0	45,911
Food service	0	542,434	542,434
Interdistrict and other uses	0	39,024	39,024
Capital outlay	<u>0</u>	<u>209,399</u>	<u>209,399</u>
Total Expenditures	<u>10,090,383</u>	<u>1,036,592</u>	<u>11,126,975</u>
Net Change in Fund Balances	293,312	289,612	582,924
Fund Balances - Beginning of year	<u>933,610</u>	<u>251,270</u>	<u>1,184,880</u>
Fund Balances - End of year	<u><u>\$1,226,922</u></u>	<u><u>\$540,882</u></u>	<u><u>\$1,767,804</u></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, 2015*

Total Net Change in Fund Balances - Governmental Funds	\$582,924
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	(\$101,388)
Capital outlay	<u>220,509</u>
	119,121
The statement of net position reports the net pension liability 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	2,000,563
Net change in the deferred inflow of resources related to the net pension liability	(1,603,798)
Net change between actual pension contributions and the cost of benefits earned net of employer contributions	544,216
Decreases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the governmental funds.	<u>2,232</u>
Change in Net Position of Governmental Activities	<u><u>\$1,645,258</u></u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015

	Agency Funds		Total
	Student Activities	Flexible Spending	
Assets			
Cash	\$143,590	\$7,652	\$151,242
Total assets	<u>\$143,590</u>	<u>\$7,652</u>	<u>\$151,242</u>
Liabilities			
Due to student groups	\$143,507	\$0	\$143,507
Due to School District	83	0	83
Other liabilities	<u>0</u>	<u>7,652</u>	<u>7,652</u>
Total liabilities	<u>\$143,590</u>	<u>\$7,652</u>	<u>\$151,242</u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 1 Description of the School District and Reporting Entity

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

Reporting Entity

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

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

Note 2 Summary of Significant Accounting Policies

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

Basis of Presentation

A. District-Wide and Fund Financial Statements

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

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

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

The School District reports the following major governmental funds:

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

The School District reports the following nonmajor governmental funds:

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

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, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

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

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

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

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

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

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension contributions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is expensed in the plan year in which it applies.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has two items that qualify for reporting in this category. They are the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

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

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 and assigned categories. Restricted resources should be used first, followed by committed funds, assigned amounts, and then unassigned amounts. The School Board desired to maintain, in stable economic times, a fund balance of at least 10% of the District General Fund annual operating expenditures.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- 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 2015.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

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. Subsequent Events - The School District's management evaluated subsequent events from June 30, 2015 through October 7, 2015, the date the financial statements were available to be issued.

Note 3 Stewardship, Accountability and Compliance

The School District shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2015, the School District incurred expenditures in a budgetary function which was in excess of the amounts appropriated. There were no deficit fund balances for any of the School District's funds required to be budgeted.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 4 Deposits and Investments

As of June 30, 2015, the School District's deposits and investments are all on deposit with Monroe Bank and Trust, Fifth Third Bank, JP Morgan Chase Bank, Flagstar Bank, and Huntington Bank.

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to the School District. The School District has \$2,766,014 invested in certificates of deposit, checking accounts, and money markets. The School District's deposits are insured by the FDIC in the amount of \$1,437,483. Uninsured deposits are \$1,328,531.

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, 2015

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Assets not being depreciated:				
Land	\$8,484	\$0	\$0	\$8,484
Construction in progress	0	207,910	0	207,910
	8,484	207,910	0	216,394
Capital assets being depreciated:				
Land improvements	1,218,111	5,400	0	1,223,511
Buildings and building improvements	5,944,760	0	0	5,944,760
Machinery and equipment	677,144	7,199	0	684,343
Buses	203,444	0	0	203,444
Vehicles	93,440	0	0	93,440
	8,136,899	12,599	0	8,149,498
Total capital assets	8,145,383	220,509	0	8,365,892
Less accumulated depreciation:				
Land improvements	(823,983)	(31,565)	0	(855,548)
Buildings and building improvements	(4,191,827)	(50,657)	0	(4,242,484)
Machinery and equipment	(509,716)	(19,166)	0	(528,882)
Buses	(203,442)	0	0	(203,442)
Vehicles	(93,440)	0	0	(93,440)
	(5,822,408)	(101,388)	0	(5,923,796)
Total accumulated depreciation	(5,822,408)	(101,388)	0	(5,923,796)
Net capital assets	\$2,322,975	\$119,121	\$0	\$2,442,096

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 6 Interfund Payables, Receivables, and Transfers

Interfund balances at June 30, 2015, consisted of the following individual fund receivables and payables:

	Due From
Due To:	General Fund
Food Service Fund	\$126,256
Technology Fund	177,142
Sinking Fund	30,507
	\$333,905

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 2014-15 fiscal year.

Note 7 Defined Benefit Pension Plans and Postemployment Benefits

Plan Description - The Michigan Public School Employees' Retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-.00.html>.

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

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

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus - An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC. Option 4 - None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions - The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided." School districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer Contributions - 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 District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$1,854,149, with \$1,415,153 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 7

Defined Benefit Pension Plans and Postemployment Benefits (Continued)

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

Pension Liabilities - At June 30, 2015, the District reported a liability of \$14,507,391 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2013 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was 0.06586 percent.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the District recognized pension expense of \$1,175,140. At June 30, 2015, 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>
Changes of assumptions	\$535,292	\$0
Changes in proportion and differences between school district contributions and proportionate share of contributions	3	0
Net differences between projected and actual plan investments earnings	0	(1,603,798)
School district's contributions subsequent to the measurement date	<u>924,805</u>	<u>0</u>
	<u>\$1,460,100</u>	<u>(\$1,603,798)</u>

Deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date were \$924,805, and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Continued)
Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions (Continued)

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

<u>Year ended June 30,</u>	<u>Amount</u>
2015	(\$261,756)
2016	(261,756)
2017	(261,756)
2018	(283,235)

Actuarial Assumptions - Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a 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.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	4.80%
Alternate Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short Term Investment Pools	2.00%	(0.2)%
	<u>100.00%</u>	

* Long term rate of return does not include 2.50% inflation.

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 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 8.0 percent, 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 (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	<u>1% Lower (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Higher (9.0%)</u>
School district's proportionate share of the net pension liability	<u>\$19,126,731</u>	<u>\$14,507,391</u>	<u>\$10,615,528</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

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

Introduction

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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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 health care 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012 - 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 December 1, 2012.

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 will be deposited into their 401(k) accounts.

Employer Contributions - The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$189,000.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 8 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, 2011, at 0.9866 mill for an additional five years, 2012 to 2016. 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 9 Short-Term Debt Activity

The School District has various options for short-term financing including tax anticipation notes, state aid anticipation notes, and lines of credit. The School District entered into a short-term financing arrangement during the fiscal year ended June 30, 2015. This arrangement was for a state aid anticipation note, secured against the state aid fund allowance, through the Michigan Municipal Bond Authority. Short-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid anticipation note	\$642,857	\$1,800,000	\$1,628,571	\$814,286

The short-term financing was utilized for cash-flow purposes based on the timing of School District revenues through state aid allowances.

Note 10 Long-Term Debt

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

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015	Amounts Due in One Year
Other Liabilities:					
Compensated absences	\$41,586	\$0	\$2,232	\$39,354	\$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.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 11 Lease Commitments - Operating Leases

The School District entered into an operating lease agreement with MT Business Leasing for the use of three (3) Imagistics copiers. The lease term is thirty-six (36) months, ending October 2017, with payments of \$1,802 for nine (9) months per year.

The School District entered into an operating lease agreement with Midwest Transit for three (3) buses. The lease term is thirty-six (36) months, with three annual payments of \$39,699 beginning July 2013.

The School District entered into an operating lease agreement with Midwest Transit for five (5) buses. The lease term is thirty-six (36) months, with three annual payments of \$66,165 beginning July 2014.

The School District entered into an operating lease agreement with Ally, for a 2014 Chevrolet Cruze for a driver's education vehicle. The lease is thirty-eight (38) months, ending September 2018, with payments of \$211 per month.

Obligations of governmental activities under operating leases at June 30, 2015 were as follows:

Year Ended June 30,	MT Business Leasing	Midwest Transit	Ally	Total
2016	\$16,220	\$105,864	\$2,537	\$124,621
2017	3,604	66,165	2,537	72,306
2018	0	0	634	634
	<u>\$19,824</u>	<u>\$172,029</u>	<u>\$5,708</u>	<u>\$197,561</u>

Note 12 Property Taxes

Property taxes are recorded as revenue when levied and received by the various governmental units that collect the School District's taxes. The School District's 2014 property taxes were levied on December 1, 2014 on assessed valuations as of December 31, 2013. Taxes were collected beginning December 1, 2014 and payments were due by February 14, 2015. Taxable values are based on a percentage of the fair market value of the assessed property.

The following is a summary of the 2014 property tax levy:

	Taxable Value	Mills Levied	Taxes Levied
General Fund:			
Non-Homestead	\$66,104,615	18.0000	\$1,189,883
Commercial Personal			
Property	2,067,912	6.0000	12,407
Sinking Fund	232,297,267	2.0000	464,595
			<u>\$1,666,885</u>

Note 13 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, 2015, the School District incurred claims of \$3,895.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 14 Cafeteria Contract

During the fiscal year ended June 30, 2015, the School District contracted with Sodexo, Inc. to cover all cafeterias within the School District. Pursuant to this agreement, Sodexo, Inc. manages the food service operations of the School District. All costs of Sodexo, Inc. have been reflected in the financial statements of the Food Service Fund.

Note 15 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, 2015.

B. Litigation

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

Note 16 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 17 Governmental Regulation

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

Note 18 Sinking Fund

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2015

Note 19 New Accounting Standard

For the year ended June 30, 2015 the District implemented the following new pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary:

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

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

	<u>Governmental Activities</u>
Net position as previously stated July 1, 2014	\$3,466,269
Adoption of GASB 68 and 71	
Net pension liability	(16,507,954)
Deferred outflows	915,884
Net position as restated July 1, 2014	<u><u>(\$12,125,801)</u></u>

Note 20 Upcoming Accounting Pronouncement

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

REQUIRED SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$1,288,338	\$1,288,246	\$1,286,142	(\$2,104)
State sources	8,056,168	8,460,183	8,372,331	(87,852)
Federal sources	249,000	335,031	249,295	(85,736)
Interdistrict and other sources	443,526	475,451	475,927	476
Total Revenues	10,037,032	10,558,911	10,383,695	(175,216)
Expenditures				
Instruction:				
Basic programs	5,317,389	5,315,442	5,277,125	38,317
Added needs	1,327,493	1,420,908	1,265,333	155,575
Support services:				
Pupil	475,731	439,442	437,090	2,352
Instructional staff	47,958	93,491	57,506	35,985
General administration	305,323	303,172	302,535	637
School administration	703,417	676,303	665,718	10,585
Business administration	341,481	309,982	308,523	1,459
Operation and maintenance	1,022,759	1,051,201	844,683	206,518
Pupil transportation	550,197	559,194	539,047	20,147
Athletics	240,821	258,943	256,552	2,391
Central services	78,103	90,129	90,360	(231)
Community service:				
Community recreation	3,685	1,866	2,047	(181)
Non-public school pupils	46,427	44,221	43,864	357
Total Expenditures	10,460,784	10,564,294	10,090,383	473,911
Net Change in Fund Balances	(423,752)	(5,383)	293,312	298,695
Fund Balances - Beginning of year	707,371	933,610	933,610	0
Fund Balances - End of year	<u>\$283,619</u>	<u>\$928,227</u>	<u>\$1,226,922</u>	<u>\$298,695</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Revenues-Budget and Actual
Year Ended June 30, 2015*

	Final Budget	Actual	Positive (Negative) Budget
Local Sources			
Property taxes	\$1,167,450	\$1,162,032	(\$5,418)
Tuition	21,800	23,368	1,568
Athletics	72,860	73,845	985
Interest income	1,700	1,860	160
Reimbursements and donations	8,991	9,035	44
Other revenue	15,445	16,002	557
Total Local Sources	<u>1,288,246</u>	<u>1,286,142</u>	<u>(2,104)</u>
State Sources			
Unrestricted grants:			
State school aid	7,083,700	7,084,195	495
Restricted grants:			
Special education-Headlee obligation	321,018	321,018	0
At Risk	330,380	249,851	(80,529)
Great Start Readiness Preschool	114,321	106,688	(7,633)
Career and technical	35,469	35,470	1
Headlee obligation for data collection	28,497	28,496	(1)
MPERS rate offset	77,893	77,784	(109)
MPERS UAAL	468,905	468,829	(76)
Total State Sources	<u>8,460,183</u>	<u>8,372,331</u>	<u>(87,852)</u>
Federal Sources			
Title I	221,496	191,698	(29,798)
Title II	99,650	43,925	(55,725)
Indian education	12,046	11,630	(416)
Transfer from intermediate school district:			
Medicaid outreach	1,839	2,042	203
Total Federal Sources	<u>335,031</u>	<u>249,295</u>	<u>(85,736)</u>
Interdistrict and Other Sources			
Transfer from intermediate school district:			
County special education tax	384,345	384,345	0
Insurance reimbursements	21,306	21,306	0
Other revenue	69,800	70,276	476
Total Interdistrict and Other Sources	<u>475,451</u>	<u>475,927</u>	<u>476</u>
 Total Revenues	 <u>\$10,558,911</u>	 <u>\$10,383,695</u>	 <u>(\$175,216)</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2015*

	Salaries	Employee Benefits	Purchased Services
Instruction			
Basic Programs:			
Elementary	\$1,342,134	\$868,126	\$34,740
Middle School	696,276	448,383	12,036
High School	909,305	566,220	62,811
Pre-School	58,865	32,168	567
Summer School	1,625	640	0
	<u>3,008,205</u>	<u>1,915,537</u>	<u>110,154</u>
Added Needs:			
Special education	401,811	241,928	5,039
Compensatory education	293,048	183,546	24,062
Career and technical education	49,942	31,984	703
Secondary	0	0	0
	<u>744,801</u>	<u>457,458</u>	<u>29,804</u>
 Total Instruction	 3,753,006	 2,372,995	 139,958
Support Services			
Pupil:			
Guidance	167,314	116,700	94
Health	0	0	395
Speech	54,856	43,576	0
Social work services	0	0	0
Other pupil services	32,559	14,337	22
	<u>254,729</u>	<u>174,613</u>	<u>511</u>
Instructional Staff:			
Improvement of instruction	400	154	25,687
Educational media services	18,349	7,890	0
Technology assisted instruction	0	0	3,885
	<u>18,749</u>	<u>8,044</u>	<u>29,572</u>
General Administration:			
Board of education	3,442	119	48,275
Executive administration	145,756	94,018	3,616
	<u>149,198</u>	<u>94,137</u>	<u>51,891</u>
School Administration:			
Office of the principal	410,551	246,644	1,608
Other school administration	0	0	295
	<u>410,551</u>	<u>246,644</u>	<u>1,903</u>
Business Administration:			
Fiscal services	171,809	106,048	1,060
Internal services	0	0	258
Other business services	0	0	7,510
	<u>171,809</u>	<u>106,048</u>	<u>8,828</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Positive (Negative) Budget
\$67,370	\$0	\$0	\$2,312,370	\$2,341,928	\$29,558
10,752	0	0	1,167,447	1,171,255	3,808
45,211	0	115,009	1,698,556	1,700,874	2,318
3,039	1,848	0	96,487	99,843	3,356
0	0	0	2,265	1,542	(723)
<u>126,372</u>	<u>1,848</u>	<u>115,009</u>	<u>5,277,125</u>	<u>5,315,442</u>	<u>38,317</u>
1,073	0	0	649,851	652,217	2,366
0	0	0	500,656	626,157	125,501
18,887	13,310	0	114,826	114,139	(687)
0	0	0	0	28,395	28,395
<u>19,960</u>	<u>13,310</u>	<u>0</u>	<u>1,265,333</u>	<u>1,420,908</u>	<u>127,180</u>
146,332	15,158	115,009	6,542,458	6,736,350	165,497
510	0	0	284,618	286,189	1,571
276	0	0	671	681	10
1,327	0	0	99,759	99,593	(166)
0	0	5,124	5,124	5,124	0
0	0	0	46,918	47,855	937
<u>2,113</u>	<u>0</u>	<u>5,124</u>	<u>437,090</u>	<u>439,442</u>	<u>2,352</u>
0	0	0	26,241	61,996	35,755
0	0	0	26,239	26,469	230
0	0	1,141	5,026	5,026	0
<u>0</u>	<u>0</u>	<u>1,141</u>	<u>57,506</u>	<u>93,491</u>	<u>35,985</u>
1,118	0	4,811	57,765	57,311	(454)
930	0	450	244,770	245,861	1,091
<u>2,048</u>	<u>0</u>	<u>5,261</u>	<u>302,535</u>	<u>303,172</u>	<u>637</u>
2,132	572	1,755	663,262	673,338	10,076
2,161	0	0	2,456	2,965	509
<u>4,293</u>	<u>572</u>	<u>1,755</u>	<u>665,718</u>	<u>676,303</u>	<u>10,585</u>
1,222	100	6,440	286,679	287,032	353
144	0	0	402	437	35
0	0	13,932	21,442	22,513	1,071
<u>1,366</u>	<u>100</u>	<u>20,372</u>	<u>308,523</u>	<u>309,982</u>	<u>1,459</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2015*

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>
(Concluded)			
Support Services			
Operation and Maintenance:			
Buildings and grounds	\$93,488	\$72,126	\$368,856
Security services	0	0	4,252
	<u>93,488</u>	<u>72,126</u>	<u>373,108</u>
 Pupil Transportation	 222,524	 111,306	 129,150
 Athletics	 59,714	 31,535	 136,613
 Central Services:			
Communication services	0	0	2,309
Staff services	10,104	4,142	37,763
Technology	0	0	219
Pupil accounting	16,677	10,149	40
	<u>26,781</u>	<u>14,291</u>	<u>40,331</u>
 Total Support Services	 1,407,543	 858,744	 771,907
 Community Service			
Community recreation	1,649	398	0
Non-public school pupils	26,607	16,488	548
	<u>28,256</u>	<u>16,886</u>	<u>548</u>
 Total Community Service	 28,256	 16,886	 548
 Total Expenditures	 <u><u>\$5,188,805</u></u>	 <u><u>\$3,248,625</u></u>	 <u><u>\$912,413</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>
\$300,157	\$2,577	\$2,120	\$839,324	\$1,045,869	\$206,545
132	975	0	5,359	5,332	(27)
<u>300,289</u>	<u>3,552</u>	<u>2,120</u>	<u>844,683</u>	<u>1,051,201</u>	<u>206,518</u>
68,538	0	7,529	539,047	559,194	20,147
15,017	5,991	7,682	256,552	258,943	2,391
0	0	0	2,309	2,249	(60)
277	660	0	52,946	52,912	(34)
30	0	7,990	8,239	8,336	97
0	0	0	26,866	26,632	(234)
<u>307</u>	<u>660</u>	<u>7,990</u>	<u>90,360</u>	<u>90,129</u>	<u>(231)</u>
393,971	10,875	58,974	3,502,014	3,781,857	279,843
0	0	0	2,047	1,866	(181)
<u>221</u>	<u>0</u>	<u>0</u>	<u>43,864</u>	<u>44,221</u>	<u>357</u>
<u>221</u>	<u>0</u>	<u>0</u>	<u>45,911</u>	<u>46,087</u>	<u>176</u>
<u>\$540,524</u>	<u>\$26,033</u>	<u>\$173,983</u>	<u>\$10,090,383</u>	<u>\$10,564,294</u>	<u>\$445,516</u>

MASON CONSOLIDATED SCHOOLS

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

	<u>2014</u>
A. School District's proportion of net pension liability (%)	0.06586%
B. School District's proportion proportionate share of net pension liability	\$14,507,391
C. School District's covered-employee payroll	\$5,593,096
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	38.55%
E. Plan fiduciary net position as a percentage of total pension liability	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 Contributions
Michigan Public School Employees Retirement Plan
Last 10 School District Fiscal Years (Amounts determined as of 6/30 of each year)*

	<u>2015</u>
A. Statutorily required contributions	<u>\$1,854,149</u>
B. Contributions in relation to statutorily required contributions*	<u>\$1,854,149</u>
C. Contribution deficiency (excess)	<u>\$0</u>
D. School District's covered-employee payroll	\$5,290,833
E. Contributions as a percentage of covered-employee payroll	35.04%

*Contribution in relation to statutorily required contributions are the contributions a school district actually made to MPSERS, which may differ from the statutorily required contributions.

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

OTHER SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Balance Sheet
Year Ended June 30, 2015*

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Technology	Sinking	
Assets				
Cash and cash equivalents	\$28,222	\$0	\$389,785	\$418,007
Accounts receivable	0	0	342	342
Due from other governmental units	10,365	0	0	10,365
Due from other funds	126,256	177,142	30,507	333,905
Inventory	3,343	0	0	3,343
Prepaid	604	0	0	604
Total Assets	\$168,790	\$177,142	\$420,634	\$766,566
Liabilities				
Accounts payable	\$29,924	\$18,227	\$163,676	\$211,827
Salaries payable	0	2,221	0	2,221
Other liabilities	2,780	1,763	0	4,543
Unearned Revenue	7,093	0	0	7,093
Due to other funds	0	0	0	0
Total Liabilities	39,797	22,211	163,676	225,684
Fund Balances				
Nonspendable:				
Inventory	3,343	0	0	3,343
Prepaid	604	0	0	604
Restricted for:				
Technology enhancement	0	154,931	0	154,931
Capital projects	0	0	256,958	256,958
Food service	125,046	0	0	125,046
Total Fund Balances	128,993	154,931	256,958	540,882
Total Liabilities and Fund Balances	\$168,790	\$177,142	\$420,634	\$766,566

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015*

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Technology	Sinking	
Revenues				
Local sources	\$187,830	\$299,496	\$466,357	\$953,683
State sources	33,947	26,592	0	60,539
Federal sources	311,982	0	0	311,982
Total Revenues	533,759	326,088	466,357	1,326,204
Expenditures				
Food service	542,434	0	0	542,434
Technology	0	284,759	0	284,759
Capital outlay	0	0	209,399	209,399
Total Expenditures	542,434	284,759	209,399	1,036,592
Net Change in Fund Balances	(8,675)	41,329	256,958	289,612
Fund Balances - Beginning of year	137,668	113,602	0	251,270
Fund Balances - End of year	\$128,993	\$154,931	\$256,958	\$540,882

MASON CONSOLIDATED SCHOOLS

*Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Food sales	\$193,098	\$187,449	\$187,830	\$381
State Sources:				
Restricted grants	28,115	32,325	33,947	1,622
Federal Sources:				
Restricted grants	317,087	286,669	286,677	8
Commodities	30,000	25,400	25,305	(95)
	<u>347,087</u>	<u>312,069</u>	<u>311,982</u>	<u>(87)</u>
Total Revenues	568,300	531,843	533,759	1,916
Expenditures				
Salaries	111,493	106,178	105,621	557
Employee benefits	52,285	51,527	53,021	(1,494)
Contracted services	125,743	126,244	121,734	4,510
Supplies and materials	267,996	256,893	246,569	10,324
Capital outlay	750	10,260	10,260	0
Other	4,840	5,192	5,229	(37)
Total Expenditures	<u>563,107</u>	<u>556,294</u>	<u>542,434</u>	<u>13,860</u>
Net Change in Fund Balances	5,193	(24,451)	(8,675)	15,776
Fund Balance - Beginning of year	<u>119,106</u>	<u>137,668</u>	<u>137,668</u>	<u>0</u>
Fund Balance - End of year	<u><u>\$124,299</u></u>	<u><u>\$113,217</u></u>	<u><u>\$128,993</u></u>	<u><u>\$15,776</u></u>

MASON CONSOLIDATED SCHOOLS

*Technology Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Budget</u>
Revenues				
Local sources:				
Property taxes	\$285,000	\$299,488	\$299,496	\$8
State sources:				
Restricted grants:				
MPSERS UAAL	2,407	4,342	4,672	330
Technology Infrastructure	11,970	21,920	21,920	0
Total state sources	<u>14,377</u>	<u>26,262</u>	<u>26,592</u>	<u>330</u>
Total Revenues	299,377	325,750	326,088	338
Expenditures				
Instruction:				
Salaries	9,168	16,946	17,280	(334)
Employee benefits	6,746	9,681	10,295	(614)
Purchased services	57,839	43,340	43,323	17
Supplies and materials	11,500	4,825	5,062	(237)
Capital outlay	79,810	85,420	63,448	21,972
	<u>165,063</u>	<u>160,212</u>	<u>139,408</u>	<u>20,804</u>
Support services:				
Salaries	43,608	37,329	36,465	864
Employee benefits	16,935	21,045	21,043	2
Purchased services	20,968	17,497	15,332	2,165
Supplies and materials	3,450	9,025	8,803	222
Capital outlay	28,690	2,870	24,684	(21,814)
	<u>113,651</u>	<u>87,766</u>	<u>106,327</u>	<u>(18,561)</u>
Interdistrict and other uses:				
Payments to other governmental units	42,500	37,735	39,024	(1,289)
Total expenditures	<u>321,214</u>	<u>285,713</u>	<u>284,759</u>	<u>954</u>
Net Change in Fund Balances	(21,837)	40,037	41,329	1,292
Fund Balance - Beginning of year	<u>101,325</u>	<u>113,602</u>	<u>113,602</u>	<u>0</u>
Fund Balance - End of year	<u>\$79,488</u>	<u>\$153,639</u>	<u>\$154,931</u>	<u>\$1,292</u>

MASON CONSOLIDATED SCHOOLS

*Sinking Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Property taxes	\$0	\$465,788	\$466,262	\$474
Interest income	0	0	95	95
Total Revenues	0	465,788	466,357	569
Expenditures				
Operations and maintenance:				
Purchased services	0	70,000	55,939	14,061
Capital outlay	0	325,441	152,955	172,486
Other	0	0	505	(505)
Total Expenditures	0	395,441	209,399	186,547
Net Change in Fund Balances	0	70,347	256,958	187,116
Fund Balance - Beginning of year	0	0	0	0
Fund Balance - End of year	\$0	\$70,347	\$256,958	\$187,116

MASON CONSOLIDATED SCHOOLS

*Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2015*

	Student Activities Agency Fund			Balance July 1, 2015
	Balance July 1, 2014	Additions	Deductions	
Assets				
Cash	\$138,504	\$193,538	\$188,452	\$143,590
Total Assets	<u>\$138,504</u>	<u>\$193,538</u>	<u>\$188,452</u>	<u>\$143,590</u>
Liabilities				
Due to student groups	\$137,317	\$193,455	\$187,265	\$143,507
Due to School District	1,187	83	1,187	83
	<u>\$138,504</u>	<u>\$193,538</u>	<u>\$188,452</u>	<u>\$143,590</u>
	Flexible Spending Agency Fund			
	Balance July 1, 2014	Additions	Deductions	Balance July 1, 2015
Assets				
Cash	\$10,311	\$16,298	\$18,957	\$7,652
Liabilities				
Other liabilities	<u>\$10,311</u>	<u>\$16,298</u>	<u>\$18,957</u>	<u>\$7,652</u>

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2015*

	Due to (From) Student Groups July 1, 2014	Receipts	Disbursements	Due to (From) Student Groups July 1, 2015
Art	\$2,306	\$0	\$0	\$2,306
Robotics Team	62	482	443	101
Between the Pages	833	36	869	0
Senior Signs	124	85	0	209
WSRCC Scholarship	250	250	250	250
Reighard Scholarship	1	1,000	500	501
Dawn Schmidt Scholarship	500	500	0	1,000
Building	158	0	0	158
Media Center-High School	128	0	0	128
Miscellaneous-High School	392	1,120	720	792
Yearbook	774	6,233	6,298	709
Football	931	13,634	4,810	9,755
MS Football	241	920	1,136	25
Counseling Department	12	0	0	12
Spanish Club	11	0	0	11
Board of Education	308	5	311	2
Lumber	7,769	5,328	4,579	8,518
Student Pop Commission	774	2,501	1,245	2,030
Planetarium	234	0	0	234
Band	709	0	0	709
Art Scholarship	225	0	0	225
Athletic Activity	1,457	6,742	7,657	542
Student Council	4,895	6,971	5,417	6,449
High School Parent Group	282	0	0	282
Steingass Scholarship	7,942	0	1,000	6,942
After Prom Party	2,054	4,529	5,288	1,295
Youth-in-Government	1,096	7,489	8,474	111
Flag Corp	105	0	0	105
National Honor Society	173	223	326	70
Pop Machine	4	2,395	0	2,399
Davinci Disciples	0	191	9	182
Student Prevention Leadership Team	0	1,039	0	1,039
Volleyball	3,474	3,050	4,874	1,650
Softball	7,018	2,640	2,630	7,028
Wrestling	267	2,525	2,505	287
Girls Swimming	1,611	988	2,078	521
Cheerleading	1,102	8,587	7,519	2,170
Boys Basketball	50	29	50	29
Baseball	1,087	573	815	845
Girls Basketball	2,802	30	820	2,012
MS Wrestling	107	2,505	2,505	107
Boys Cross Country	4,733	3,726	1,053	7,406
Boys Swimming	4,568	2,250	4,346	2,472

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2015*

	Due to (From)			Due to (From)
	Student Groups	Receipts	Disbursements	Student Groups
	July 1, 2014			July 1, 2015
(Continued)				
Physical Education	\$348	\$0	\$0	\$348
Weightlifting	480	450	400	530
Golf	214	10	0	224
Class of 65 Sign	4,855	0	0	4,855
Boys Varsity Track	3,644	4,326	6,198	1,772
Student Workers	113	0	0	113
Choir	281	0	0	281
Science Olympiad	27	0	0	27
Sales Tax	706	1,422	2,005	123
Alumni Association	333	0	0	333
Class of 2014	329	0	325	4
Class of 2015	1,495	2,581	3,683	393
Class of 2016	1,195	5,950	5,915	1,230
Class of 2017	49	3,726	2,719	1,056
Class of 2018	0	167	88	79
Orchard Center High School	1,843	0	1,843	0
Art - Orchard Center	523	0	523	0
Athletics - Orchard Center	136	0	136	0
Renaissance - Orchard Center	1,959	0	1,959	0
Student Council - Orchard Center	1,210	0	1,210	0
Yearbook - Orchard Center	27	0	27	0
Art Club - Orchard Center	930	0	930	0
MS Texas Hold'em Fundraiser	533	0	50	483
MS Science Olympiad	1,732	1,308	1,372	1,668
Library	89	197	52	234
N.J.H.S	1,450	259	567	1,142
Principal Acct - Middle School	3,502	1,611	557	4,556
MS Volunteer Program	2,011	63	714	1,360
PE	1,700	0	0	1,700
Yearbook	1,194	3,477	2,898	1,773
MS Choir	778	2,917	2,182	1,513
Youth in Government	940	6,979	5,957	1,962
Art	446	0	0	446
7th Grade	227	0	0	227
Costello, Susan	165	0	0	165

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2015*

	Due to (From)			Due to (From)
	Student Groups	Receipts	Disbursements	Student Groups
	July 1, 2014			July 1, 2015
(Continued)				
8th Grade	\$840	\$21,026	\$20,474	\$1,392
6th Grade	1,275	1,610	2,191	694
Student Enrichment	12,865	486	300	13,051
Student Pop	426	325	173	578
Staff Pop	465	523	576	412
Denko - Donated At Risk	92	350	107	335
Peer to Peer	0	827	821	6
Central - Counselor	88	0	0	88
Kindergarten Field Trips	206	1,026	996	236
Central - 2nd Grade Ice Cream	2,238	0	2,238	0
Central - Office	5,465	11,734	12,372	4,827
Central - Coke	1,532	836	1,301	1,067
Central - Bennet, Jill	49	0	0	49
1st Grade Field Trips	896	1,304	1,174	1,026
Central - Student council	1,837	3,979	2,013	3,803
Central - Scarbough	79	0	15	64
Central - T-Shirts	1,437	1,943	424	2,956
Central - Hagan, Jennifer	16	0	0	16
Central - Jenkins, Megan	127	0	0	127
Central - Library Fines	1,024	132	201	955
Central - Beczynski, Michelle	81	0	0	81
Central - Lennard, Stephanie	99	100	121	78
Central - Gallaher, Julie	173	0	0	173
Central - Stiegel, Linda	370	0	59	311
Central - Geddes, Jean	104	112	112	104
Central - Bowman, April	50	0	0	50
Central - Hyden, Katie	0	200	190	10
Central - Conway, Lisa	142	0	0	142
Central - Kline, Deanna	2	50	0	52
Central - Swartz, Karen	74	0	0	74
Central - Manley, Lori	771	0	0	771
Central - Oberski, Brooke	65	0	0	65
Central - Lietaert, Adele	418	0	0	418
Central - Roberts, Lauren	49	0	0	49
Central - Sorter, Stephanie	61	0	50	11
Central - Goliver, Sue	65	0	65	0
Central - Keane, Megan	118	0	0	118
Central - Sweigert, Josh	144	0	0	144
Central - Bondy, Jane	136	0	0	136
Central - Samoray, Pat	86	0	0	86
Central - Finley, Jeannie	459	0	0	459
Central - Martin, Floyd	16	0	0	16
2nd Grade Field Trips	0	3,084	913	2,171

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2015*

	Due to (From) Student Groups July 1, 2014	Receipts	Disbursements	Due to (From) Student Groups July 1, 2015
(Continued)				
3rd Grade Field Trips	\$18	\$847	\$853	\$12
Central - Speech	93	9	0	102
Central - Mazur, Maureen	8	0	0	8
Central - Camp Storer	4,949	17,982	17,604	5,327
Central - Irwin, Jessica	61	0	0	61
Central - Pagel, Angie	53	0	0	53
4th Grade Field Trips	630	951	1,053	528
Central - Siek, Andrea	10	0	10	0
Central - Lindsey, Anita	22	0	22	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Due to Student Groups	<u>\$137,317</u>	<u>\$193,455</u>	<u>\$187,265</u>	<u>\$143,507</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of Athletics
Budget and Actual
Year Ended June 30, 2015*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Admissions	\$33,550	\$36,796	\$40,326	\$3,530
Participation fees	17,550	19,125	19,125	0
Other revenue	1,200	7,695	7,695	0
Total local sources	<u>52,300</u>	<u>63,616</u>	<u>67,146</u>	<u>3,530</u>
State Sources:				
Restricted grants	<u>3,048</u>	<u>9,244</u>	<u>6,699</u>	<u>(2,545)</u>
Total Revenues	<u>\$55,348</u>	<u>\$72,860</u>	<u>\$73,845</u>	<u>\$985</u>
Expenditures				
Pupil Transportation:				
Salaries	\$10,400	\$16,412	\$16,189	\$223
Employee benefits	4,193	6,889	7,043	(154)
Other expenses	975	1,383	1,371	12
Staff Services:				
Purchased services	3,000	2,405	2,277	128
Athletics:				
Salaries	65,436	59,712	59,714	(2)
Employee benefits	32,109	30,880	31,535	(655)
Purchased services	116,581	139,238	136,613	2,625
Supplies and materials	15,950	15,152	15,017	135
Capital outlay	1,500	5,991	5,991	0
Other expenses	<u>9,245</u>	<u>7,970</u>	<u>7,683</u>	<u>287</u>
Total Expenditures	<u>\$259,389</u>	<u>\$286,032</u>	<u>\$283,433</u>	<u>\$2,599</u>

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2015*

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	S060A140275 84.060A	\$12,046
Passed Through State Department of Education:		
Title I, Part A - Improving Basic Programs	141530-1314 84.010	180,093
Title I, Part A - Improving Basic Programs	151530-1415 84.010	221,496
		401,589
Title II, Part A - Teacher/Principal Training & Recruiting	140520-1314 84.367A	90,113
Title II, Part A - Teacher/Principal Training & Recruiting	150520-1415 84.367A	99,650
		189,763
Total Passed Through State Dept. of Education		591,352
Total U.S. Department of Education		603,398
<u>U.S. Department of Health and Human Services</u>		
Passed Through Intermediate School District:		
Medicaid Outreach	93.778	2,042

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2014	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2015
\$0	\$14,021	\$11,630	\$11,630	\$0
60,643	153,143	0	60,643	0
0	0	191,698	181,000	10,698
<u>60,643</u>	<u>153,143</u>	<u>191,698</u>	<u>241,643</u>	<u>10,698</u>
3,637	51,637	0	3,637	0
0	0	43,925	36,000	7,925
<u>3,637</u>	<u>51,637</u>	<u>43,925</u>	<u>39,637</u>	<u>7,925</u>
<u>64,280</u>	<u>204,780</u>	<u>235,623</u>	<u>281,280</u>	<u>18,623</u>
<u>\$64,280</u>	<u>\$218,801</u>	247,253	<u>\$292,910</u>	<u>\$18,623</u>
<u>\$0</u>	<u>\$1,077</u>	2,042	<u>\$2,042</u>	<u>\$0</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2015*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
National School Lunch Program		
141960 All Lunches	10.555	\$214,415
151960 All Lunches	10.555	184,533
		<u>398,948</u>
141970 Breakfast	10.553	75,144
151970 Breakfast	10.553	69,386
		<u>144,530</u>
		<u>543,478</u>
U.S.D.A. Donated Commodities Entitlements	10.555	25,305
Total U.S. Department of Agriculture		<u>568,783</u>
Total Federal Financial Assistance		<u><u>\$1,174,223</u></u>

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2014	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2015
\$0	\$189,422	\$24,993	\$24,993	\$0
0	0	184,533	182,406	2,127
0	189,422	209,526	207,399	2,127
0	67,379	7,765	7,765	0
0	0	69,386	64,284	5,102
0	67,379	77,151	72,049	5,102
0	256,801	286,677	279,448	7,229
0	0	25,305	25,305	0
\$0	\$256,801	311,982	\$304,753	\$7,229
		\$561,277		

MASON CONSOLIDATED SCHOOLS

*Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015*

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mason Consolidated Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. The amounts reported on the Grant Auditors Report reconcile with this schedule.
3. Certain federal programs require that the School contribute non-federal funds (matching funds) to support the federally-funded programs. The School has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

MASON CONSOLIDATED SCHOOLS

*Schedule of Findings and Questioned Costs
Year Ended June 30, 2015*

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Mason Consolidated Schools.
2. No significant deficiencies considered 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 were disclosed during the audit.
4. No significant deficiencies considered to be material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the Nutrition Cluster expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Mason Consolidated Schools.
7. The programs tested as major programs include National School Breakfast Program (CFDA #10.553), the National School Lunch Program (CFDA #10.555), and the U.S.D.A. Donated Commodities (CFDA #10.555).
8. Type A programs are programs with \$300,000 or more of federal expenditures. Type B programs are programs with federal expenditures between \$100,000 and \$300,000.
9. Mason Consolidated Schools was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA
Nicklaus W. Calkins, CPA

One South Monroe Street • Monroe, Michigan 48161-2230
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
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, 2015, 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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, weaknesses may exist that were not 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,

A handwritten signature in cursive script that reads "Cooley Hehl Wohlgamuth & Carlton".

October 7, 2015



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

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October 7, 2015

To the Board of Directors
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, 2015, and have issued our report thereon dated October 7, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 1, 2015. 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 2015, Mason Consolidated Schools implemented Governmental Accounting Standard Board Statement Number 68, *Accounting and Financial Reporting for Pensions*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

To the Board of Directors
Mason Consolidated Schools

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Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2015.

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 governmental unit'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, the agency changes in assets and liabilities, and the federal financial assistance program schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

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

Very truly yours,

Cooley Hehl Wollgamuth & Carlton