

MASON CONSOLIDATED SCHOOLS
Erie, Michigan

ANNUAL FINANCIAL REPORT
June 30, 2016

MASON CONSOLIDATED SCHOOLS

Table of Contents
June 30, 2016

Independent Auditor's Report 1-2

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*** 3-4

Management's Discussion and Analysis..... 5-12

Basic Financial Statements:

District-wide Financial Statements:

 Statement of Net Position..... 13

 Statement of Activities..... 14

Fund Financial Statements:

 Governmental Funds:

 Balance Sheet..... 15

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

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

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

 Fiduciary Funds - Statement of Fiduciary Net Position..... 19

Notes to Financial Statements..... 20-37

Required Supplemental Information:

General Fund:

 Budgetary Comparison Schedule 38

 Schedule of Revenues - Budget and Actual..... 39

 Schedule of Expenditures - Budget and Actual 40-43

Schedule of School District's Proportionate Share of Net Pension Liability 44

Schedule of School District's Contributions..... 45

Notes to Required Supplemental Information 46

Other Supplemental Information:

Nonmajor Governmental Funds:

 Combining Balance Sheet 47

 Combining Statement of Revenues, Expenditures, and Changes in Fund
 Balances 48

Food Service Fund:

 Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual..... 49

MASON CONSOLIDATED SCHOOLS

Table of Contents (Concluded)
June 30, 2016

Other Supplemental Information (Concluded):

Technology Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual 50

Sinking Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual 51

Agency Funds:

Statement of Changes in Assets and Liabilities..... 52
Student Activities Agency Fund-
Summary of Receipts and Disbursements 53-55

Schedule of Athletics – Budget and Actual..... 56

Federal Financial Assistance Programs:

Schedule of Expenditures of Federal Awards 57-60
Notes to Schedule of Expenditures of Federal Awards 61



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

James R. Cooley, CPA
David K. Hehl, 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

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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension schedules on pages 5 through 13, 39 through 44, and 45 through 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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



October 5, 2016



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

James R. Cooley, CPA
David K. Hehl, 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

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, 2016, 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 5, 2016.

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 5, 2016

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2016*

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, 2016. 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 fund - the General 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, 2016*

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities (pages 14-15), which appear first in the School District's financial statements, report information on the School District as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

The School District's Fund Financial Statements (pages 16-20) provide detailed information about the most significant or "major" funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 17 and 19.

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, 2016

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, 2016 and 2015.

Table 1

Comparative Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current and other assets	\$4,236,561	\$4,220,193
Capital assets	<u>2,724,554</u>	<u>2,442,096</u>
Total Assets	6,961,115	6,662,289
Deferred outflows of resources	1,627,785	1,460,100
Current and other liabilities	1,866,245	2,452,389
Long-term liabilities	<u>14,942,222</u>	<u>14,546,745</u>
Total Liabilities	<u>16,808,467</u>	<u>16,999,134</u>
Deferred inflows of resources	955,675	1,603,798
Net Position		
Net investment in capital assets	2,724,554	2,442,096
Restricted for technology enhancement	180,436	154,931
Restricted for food service	149,004	128,993
Restricted for capital projects	386,995	256,958
Unrestricted	<u>(12,616,231)</u>	<u>(13,463,521)</u>
Total Net Position	<u><u>(\$9,175,242)</u></u>	<u><u>(\$10,480,543)</u></u>

As depicted in Table 1, the School District's net position was a deficit of \$9,175,242 at June 30, 2016. Of this amount, a negative \$12,616,231 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.

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, 2016 and 2015.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2016*

District–Wide Financial Analysis - Concluded

Table 2

Comparative Statement of Activities

	June 30, 2016	June 30, 2015
Revenues		
Program revenues:		
Charges for services	\$271,860	\$270,649
State grants and other revenue	1,359,103	2,051,701
Federal grants	585,881	249,295
	2,216,844	2,571,645
General revenues:		
Property taxes	1,985,133	1,927,790
State foundation allowance	6,929,444	7,084,195
Other general revenues	444,355	126,269
	9,358,932	9,138,254
 Total Revenues	 11,575,776	 11,709,899
 Functions/Program Expenses		
Instruction	6,247,387	6,015,869
Support services	3,365,839	3,377,859
Community services	48,826	36,501
Food services	509,531	533,024
Depreciation	98,892	101,388
	10,270,475	10,064,641
 Total Expenses	 10,270,475	 10,064,641
 Increase (Decrease) in Net Assets	 \$1,305,301	 \$1,645,258

As indicated in Table 2, the cost of *all governmental* activities this year was \$10,270,475. Of this amount, \$2,216,844 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 \$1,305,301. Revenues decreased by \$134,123. Expenses increased by \$205,834 from the prior year. The increase in net position differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net position appears on page 19.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2016*

Fund Financial Analysis

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$2,370,316 which is an increase of \$602,512 from last year. The changes by major and nonmajor funds are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund balances -			
Beginning of year	\$1,226,922	\$540,882	\$1,767,804
Increase (decrease)	<u>426,959</u>	<u>175,553</u>	<u>602,512</u>
Fund balances -			
End of year	<u><u>\$1,653,881</u></u>	<u><u>\$716,435</u></u>	<u><u>\$2,370,316</u></u>

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

Revenues	<u>June 30, 2016</u>	<u>June 30, 2015</u>	Percent Change
Local sources	\$1,324,148	\$1,286,142	3.0 %
State sources	8,233,376	8,372,331	(1.7)%
Federal sources	271,555	249,295	8.9 %
Interdistrict and other sources	<u>411,067</u>	<u>475,927</u>	(13.6)%
Total revenues	<u><u>\$10,240,146</u></u>	<u><u>\$10,383,695</u></u>	(1.4)%

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2016*

Fund Financial Analysis – Concluded

Expenditures	June 30, 2016	June 30, 2015	Percent Change
Instruction	\$6,347,587	\$6,542,458	(3.0)%
Support services	3,412,533	3,502,014	(2.6)%
Community services	53,067	45,911	15.6 %
Total expenditures	<u>\$9,813,187</u>	<u>\$10,090,383</u>	(2.7)%

General Fund Budgetary Highlights

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

Beginning Budget versus Ending Budget:

Revenues: The original budget for revenues was \$10,186,325 versus the final budget of \$10,447,786; an increase of \$261,461. Adjustments were as follows:

- An adjustment was made for the actual blended pupil count; 1,126.50 students were budgeted, actual blended count was 1,118.97. The net effect of changes to property taxes and the foundation amounted to a decrease of approximately \$62,016.
- Special Education Headlee revenues decreased \$56,264; the Great Start Readiness Program (GSRP) allocation was decreased by \$9,900 due to participation levels. Prior year GSRP funds available plus receipt of the prior year GSRP transportation reimbursement accounted for an increase of \$22,705; the county special education reimbursement was decreased by \$65,341.
- At Risk grant revenues were increased in the amount of \$115,721 to account for carryover and change in the new year allocation. Title I and Title II increased by \$53,295 due to final allocation and for previous year carryover.
- Additional grant opportunities, both local and state funded, were budgeted in the amount of \$21,396.
- Other adjustments were as follows: MPSERS Cost Offset and UAAL Rate Stabilization increased \$148,788 to reflect updated allocation.
- Sale of Assets was increased \$73,193 due to the sale of the Luna Pier School.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2016*

General Fund Budgetary Highlights - Continued

Expenditures: The original budget for expenditures and transfers was \$10,212,914 versus the final budget of \$10,188,391; this was a decrease of \$24,523. 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 on the previous page.
- The budget was adjusted for the corresponding increases relating to the MPSERS Cost Offset and UAAL Rate Stabilization mentioned on the previous page.
- The budget for tuition charges for middle college increased \$19,956 due to additional participants; the budget for dual enrollment and cosmetology classes decreased \$10,900; the budget for IVN classes through the ISD decreased \$9,900.
- Decreased budget approximately \$36,000 due to restructuring elementary counselor position with social worker and 504 coordinator.
- Budget increased \$17,900 for legal fees; decrease of approximately \$37,500 for salaries and benefits due to restructuring of the Administrative Assistant position in the Superintendent's office as well as benefit changes/elections in the department.
- Decrease of \$10,000 in business administration budget due to changes in health insurance staff elections.
- The operation and maintenance budget was adjusted to move budget in the amount of \$96,721 to FY 17 for special projects.

Final Budget versus Actual Figures:

Revenues: General Fund actual revenue was \$10,240,146 versus a budget of \$10,447,786; a difference of \$207,640. All grants are budgeted at the full grant award amount; funds amounting to \$140,187 for At Risk, and \$3,581 for Early Literacy were not expended and were unearned and carried over to FY 17. Title I and II were budgeted in full, \$79,272 was not expended and will be budgeted as carryover in FY 17.

Expenditures: Actual expenditures and transfers were \$9,813,187 versus a budget of \$10,188,391; a difference of \$375,204. Major components of final budget versus final actual expenditures are discussed below:

- Expenditures relating to MPSERS Cost Offset reflected a variance of \$20,500 under Basic Programs.
- Expenditures for Added Needs were under budget by \$172,834. The At Risk grant was budgeted in full leaving a carryover balance of \$143,883; Title I was budgeted in full leaving carryover of \$31,490.
- Support services instructional staff expenditures were \$42,063 less than budget; Title II professional development was budgeted in full leaving a carryover balance of \$37,120.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2016*

General Fund Budgetary Highlights - Concluded

- Operation and maintenance was an area that reflected actual expenditures \$79,742 less than budgeted; the largest factor being the funds allocated for special projects. Special projects were originally budgeted in full at \$207,512; \$96,712 was adjusted at year end and carried over to the FY 17 budget. At year end only \$48,641 was expended; the remainder of \$62,519 will be carried over to FY 17.
- Staff personnel services for administrative professional development under Title II had a balance remaining of \$7,552 which will be carried over to FY 17.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the School District had \$8,603,664 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 \$580,052 consisted of ceiling work, asphalt, site lighting, locker room renovation, roof, and gymnasium bleachers. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

Debt Administration

At June 30, 2016, the School District had other obligations which include accrued vacation and sick pay of \$43,073. More detailed information about long-term liabilities is presented in Note 10 to the Financial Statements.

Development of the 2016-17 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the School District's 2016-17 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 2017 fiscal year is 90 percent of the October 2016 student count and 10 percent of the previous February's count. The District projected a blended pupil count of 1,091.37 for budgeting purposes. Approximately 79% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a \$120 per pupil foundation increase to reflect the new minimum foundation of \$7,511 per pupil.

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

The budget for the 2016-17 fiscal year was adopted on June 20, 2016. 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, 2016

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$2,593,057
Accounts/taxes receivable	11,092
Due from other governmental units	1,618,164
Inventory	4,324
Deposits	9,000
Prepaid	924
Capital assets less accumulated depreciation	<u>2,724,554</u>
Total Assets	<u>6,961,115</u>
Deferred Outflows of Resources	
Deferred amount of pension expense	<u>1,627,785</u>
Liabilities	
Accounts payable	323,781
Note payable	194,000
Salaries payable	576,832
Due to other governmental units	155,242
Other liabilities	429,446
Unearned revenue	186,944
Long-term liabilities:	
Net pension liability	14,899,149
Compensated absences, due in more than one year	<u>43,073</u>
Total Liabilities	<u>16,808,467</u>
Deferred Inflows of Resources	
Deferred amount of net pension liability	<u>955,675</u>
Net Position	
Net investment in capital assets	2,724,554
Restricted for technology enhancement	180,436
Restricted for food service	149,004
Restricted for capital projects	386,995
Unrestricted	<u>(12,616,231)</u>
Total Net Position	<u><u>(\$9,175,242)</u></u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Statement of Activities Year Ended June 30, 2016

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$6,247,387	\$25,036	1,383,144	(\$4,839,207)
Support services	3,365,839	62,844	209,041	(3,093,954)
Community services	48,826	0	2,996	(45,830)
Food services	509,531	183,980	349,803	24,252
Depreciation (Unallocated)	98,892	0	0	(98,892)
Total Governmental Activities	<u>\$10,270,475</u>	<u>\$271,860</u>	<u>\$1,944,984</u>	(8,053,631)
General Revenues:				
Taxes:				
Property taxes, levied for general operations				1,203,463
Property taxes, levied for technology				305,187
Property taxes, levied for sinking fund				476,483
State of Michigan aid, unrestricted				6,929,444
Interest income				2,596
Other				441,759
Total General Revenues				<u>9,358,932</u>
Change in Net Position				1,305,301
Net Position - Beginning of year				<u>(10,480,543)</u>
Net Position - End of year				<u>(\$9,175,242)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

MASON CONSOLIDATED SCHOOLS

*Governmental Funds
Balance Sheet
June 30, 2016*

	General	Other Nonmajor Governmental Funds	Totals
Assets			
Cash and cash equivalents	\$2,150,853	\$442,204	\$2,593,057
Accounts/taxes receivable	10,741	351	11,092
Due from other governmental units	1,614,074	4,090	1,618,164
Due from other funds	0	348,438	348,438
Inventory	0	4,324	4,324
Deposits	9,000	0	9,000
Prepaid	322	602	924
	<u>\$3,784,990</u>	<u>\$800,009</u>	<u>\$4,584,999</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$249,625	\$74,156	\$323,781
Note payable	194,000	0	194,000
Salaries payable	576,752	80	576,832
Other liabilities	425,393	4,053	429,446
Unearned revenue	181,659	5,285	186,944
Due to other governmental units	155,242	0	155,242
Due to other funds	348,438	0	348,438
	<u>2,131,109</u>	<u>83,574</u>	<u>2,214,683</u>
Fund Balances			
Nonspendable:			
Inventory	0	4,324	4,324
Prepaid	322	602	924
Restricted for:			
Technology enhancement	0	180,436	180,436
Capital projects	0	386,995	386,995
Food service	0	144,078	144,078
Committed to:			
Building and grounds	271,564	0	271,564
Unassigned	1,381,995	0	1,381,995
	<u>1,653,881</u>	<u>716,435</u>	<u>2,370,316</u>
Total Fund Balances	<u>\$1,653,881</u>	<u>\$716,435</u>	<u>\$2,370,316</u>
Total Liabilities and Fund Balances	<u>\$3,784,990</u>	<u>\$800,009</u>	<u>\$4,584,999</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, 2016*

Total Fund Balances - Governmental Funds		\$2,370,316
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	\$8,603,664	
Accumulated depreciation	<u>(5,879,110)</u>	
		2,724,554
Deferred outflows of resources from subsequent pension expense from measurement date		1,627,785
Deferred inflows of resources resulting from net pension liability		(955,675)
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	(14,899,149)	
Compensated absences	<u>(43,073)</u>	
		<u>(14,942,222)</u>
Total Net Position - Governmental Activities		<u><u>(\$9,175,242)</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, 2016*

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
Revenues			
Local sources	\$1,324,148	\$966,133	\$2,290,281
State sources	8,233,376	55,171	8,288,547
Federal sources	271,555	314,326	585,881
Interdistrict and other sources	411,067	0	411,067
	<u>10,240,146</u>	<u>1,335,630</u>	<u>11,575,776</u>
Total Revenues	10,240,146	1,335,630	11,575,776
Expenditures			
Current:			
Instruction	6,347,587	196,104	6,543,691
Support services	3,412,533	46,554	3,459,087
Community service	53,067	0	53,067
Food service	0	513,772	513,772
Interdistrict and other uses	0	56,718	56,718
Capital outlay	0	346,929	346,929
	<u>9,813,187</u>	<u>1,160,077</u>	<u>10,973,264</u>
Total Expenditures	9,813,187	1,160,077	10,973,264
Net Change in Fund Balances	426,959	175,553	602,512
Fund Balances - Beginning of year	<u>1,226,922</u>	<u>540,882</u>	<u>1,767,804</u>
Fund Balances - End of year	<u><u>\$1,653,881</u></u>	<u><u>\$716,435</u></u>	<u><u>\$2,370,316</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, 2016*

Total Net Change in Fund Balances - Governmental Funds	\$602,512
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	(\$98,892)
Capital outlay	<u>381,350</u>
	282,458
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	(391,758)
Net change in the deferred inflow of resources related to the net pension liability	648,123
Net change between actual pension contributions and the cost of benefits earned net of employer contributions	167,685
Increases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the governmental funds.	<u>(3,719)</u>
Change in Net Position of Governmental Activities	<u><u>\$1,305,301</u></u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	Agency Funds		Total
	Student Activities	Flexible Spending	
Assets			
Cash	\$140,259	\$8,776	\$149,035
Due from School District	194	0	194
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$140,453</u>	<u>\$8,776</u>	<u>\$149,229</u>
Liabilities			
Due to student groups	\$140,452	\$0	\$140,452
Due to School District	1	0	1
Other liabilities	0	8,776	8,776
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$140,453</u>	<u>\$8,776</u>	<u>\$149,229</u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

Note 1 Description of the School District and Reporting Entity

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

Reporting Entity

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

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

Note 2 Summary of Significant Accounting Policies

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

Basis of Presentation

A. District-Wide and Fund Financial Statements

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

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

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, 2016

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, 2016, 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, 2016

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, 2016

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.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, information about the fiduciary net position of the Michigan Public Schools Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (included refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.
- 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, 2016 through October 5, 2016, 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.

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, 2016

Note 3 Stewardship, Accountability and Compliance (Concluded)

For the year ended June 30, 2016, expenditures exceeded final budgetary amounts in the following fund:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Technology Fund	<u>\$295,610</u>	<u>\$299,376</u>	<u>(\$3,766)</u>

Note 4 Deposits and Investments

As of June 30, 2016, the School District's deposits and investments are all on deposit with Monroe Bank and Trust, Fifth Third Bank, Flagstar Bank, and Huntington Bank.

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to the School District. The School District has \$2,812,493 invested in certificates of deposit, checking accounts, and money markets. The School District's deposits are insured by the FDIC in the amount of \$1,206,888. Uninsured deposits are \$1,605,605.

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, 2016

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Assets not being depreciated:				
Land	\$8,484	\$0	\$0	\$8,484
Construction in progress	207,910	119,980	198,702	129,188
	<u>216,394</u>	<u>119,980</u>	<u>198,702</u>	<u>137,672</u>
Capital assets being depreciated:				
Land improvements	1,223,511	0	0	1,223,511
Buildings and building improvements	5,944,760	447,379	125,000	6,267,139
Machinery and equipment	684,343	12,693	18,578	678,458
Buses	203,444	0	0	203,444
Vehicles	93,440	0	0	93,440
	<u>8,149,498</u>	<u>460,072</u>	<u>143,578</u>	<u>8,465,992</u>
Total capital assets	8,365,892	580,052	143,578	8,603,664
Less accumulated depreciation:				
Land improvements	(855,548)	(31,835)	0	(887,383)
Buildings and building improvements	(4,242,484)	(48,531)	(125,000)	(4,166,015)
Machinery and equipment	(528,882)	(18,526)	(18,578)	(528,830)
Buses	(203,442)	0	0	(203,442)
Vehicles	(93,440)	0	0	(93,440)
	<u>(5,923,796)</u>	<u>(98,892)</u>	<u>(143,578)</u>	<u>(5,879,110)</u>
Total accumulated depreciation	(5,923,796)	(98,892)	(143,578)	(5,879,110)
Net capital assets	<u>\$2,442,096</u>	<u>\$481,160</u>	<u>\$287,156</u>	<u>\$2,724,554</u>

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

Note 6 Interfund Payables, Receivables, and Transfers

Interfund balances at June 30, 2016, consisted of the following individual fund receivables and payables:

<u>Due To:</u>	<u>Due From</u>
	<u>General</u>
	<u>Fund</u>
Food Service Fund	\$149,188
Technology Fund	193,539
Sinking Fund	5,711
	<u>\$348,438</u>

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

There were no interfund transfers during the 2015-16 fiscal year.

Note 7 Defined Benefit Pension Plans and Postemployment Benefits

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

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

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

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the District were \$1,176,760 for the year ended September 30, 2015.

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

Pension Liabilities - At June 30, 2016, the School District reported a liability of \$14,899,149 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled-forward from September 2014. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the School District's proportion was 0.06010 percent, which was a decrease of 0.00576 percent from its proportion measured as of September 30, 2014.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Continued)
Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) - For the year ended June 30, 2016, the School District recognized pension expense of \$1,015,525. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$0	\$49,350
Changes of assumptions	366,849	0
Net differences between projected and actual earnings on pension plan investments	76,048	0
Changes in proportion and differences between school district contributions and proportionate share of contributions	513	906,325
School district's contributions subsequent to the measurement date	1,184,375	0
	\$1,627,785	\$955,675

Deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date were \$1,184,375 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended September 30,	Amount
2016	(\$201,964)
2017	(201,964)
2018	(221,856)
2019	113,519

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

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

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date: September 30, 2014

Actuarial Cost Method: Entry Age, Normal

Wage Inflation Rate: 3.5%

Investment Rate of Return:

- MIP and Basic Plans
(Non-Hybrid): 8.0%
- Pension Plus Plan
(Hybrid): 7.0%

Projected Salary Increases: 3.5 – 12.3%, including wage inflation at 3.5%

Cost-of-Living Pension

Adjustments: 3% Annual Non-Compounded for MIP Members

Mortality:

RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

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

The long-term expected rate of return on plan assets - The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.90%
% Alternate Investment Pools	18.00	9.20
International Equity	16.00	7.20
Fixed Income Pools	10.50	0.90
Real Estate and Infrastructure Pools	10.00	4.30
Absolute Return Pools	15.50	6.00
Short Term Investment Pools	2.00	0.00
	100.00	

* Long term rate of return does not include 2.10% inflation

Discount rate - A discount rate of 8.0% was used to measure the total pension liability (7.0% for Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate - The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the hybrid plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Lower (Non-Hybrid/Hybrid) (7.0% / 6.0%)	Discount Rate (Non-Hybrid/Hybrid) (8.0% / 7.0%)	1% Higher (Non-Hybrid/Hybrid) (9.0% / 8.0%)
\$19,208,823	\$14,899,149	\$11,265,918

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

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

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR, available here:

http://michigan.gov/documents/orsschools/MPSERS_CAFR_2015_Final_510211_7.pdf.

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, 2016 were approximately \$282,670.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

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, 2016. 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, 2016, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid anticipation note	\$814,286	\$970,000	\$1,590,286	\$194,000

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, 2015	Additions	Payments	Balance June 30, 2016	Amounts Due in One Year
Other Liabilities:					
Compensated absences	\$39,354	\$3,719	\$0	\$43,073	\$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, 2016

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 2016, 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 Midwest Transit for one (1) bus. The lease term is twelve (12) months, with one annual payment of \$14,382 in July 2015.

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, 2016 were as follows:

Year Ended June 30,	MT Business Leasing	Midwest Transit	Ally	Total
2017	\$3,604	\$66,165	\$2,537	\$72,306
2018	0	0	634	634
	<u>\$3,604</u>	<u>\$66,165</u>	<u>\$3,171</u>	<u>\$72,940</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 2015 property taxes were levied on December 1, 2015 on assessed valuations as of December 31, 2013. Taxes were collected beginning December 1, 2015 and payments were due by February 14, 2016. Taxable values are based on a percentage of the fair market value of the assessed property.

The following is a summary of the 2015 property tax levy:

	Taxable Value	Mills Levied	Taxes Levied
General Fund:			
Non-Homestead	\$66,161,768	18.0000	\$1,190,912
Commercial Personal			
Property	2,233,489	6.0000	13,401
Sinking Fund	236,604,627	2.0000	473,209
			<u>\$1,677,522</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, 2016, the School District incurred claims of \$1,703.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2016

Note 14 Cafeteria Contract

During the fiscal year ended June 30, 2016, the School District contracted with The Nutrition Group, Inc. to cover all cafeterias within the School District. Pursuant to this agreement, The Nutrition Group, Inc. manages the food service operations of the School District. All costs of The Nutrition Group, Inc. have been reflected in the financial statements of the Food Service Fund.

Note 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, 2016.

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, 2016

Note 19 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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$1,249,905	\$1,305,584	\$1,324,148	\$18,564
State sources	8,240,501	8,379,695	8,233,376	(146,319)
Federal sources	293,597	350,506	271,555	(78,951)
Interdistrict and other sources	402,322	412,001	411,067	(934)
Total Revenues	10,186,325	10,447,786	10,240,146	(207,640)
Expenditures				
Instruction:				
Basic programs	5,204,940	5,154,557	5,111,240	43,317
Added needs	1,309,997	1,409,181	1,236,347	172,834
Support services:				
Pupil	472,645	400,136	388,629	11,507
Instructional staff	56,593	143,980	101,917	42,063
General administration	287,780	262,776	259,239	3,537
School administration	649,272	650,394	652,459	(2,065)
Business administration	322,499	313,383	309,094	4,289
Operation and maintenance	1,010,970	939,181	859,439	79,742
Pupil transportation	510,471	497,964	495,325	2,639
Athletics	257,563	273,596	271,223	2,373
Central services	79,991	88,689	75,208	13,481
Community service:				
Community recreation	3,141	3,173	2,297	876
Non-public school pupils	47,052	51,381	50,770	611
Total Expenditures	10,212,914	10,188,391	9,813,187	375,204
Net Change in Fund Balances	(26,589)	259,395	426,959	167,564
Fund Balances - Beginning of year	928,227	1,226,922	1,226,922	0
Fund Balances - End of year	<u>\$901,638</u>	<u>\$1,486,317</u>	<u>\$1,653,881</u>	<u>\$167,564</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Revenues-Budget and Actual
Year Ended June 30, 2016*

	Final Budget	Actual	Positive (Negative) Budget
Local Sources			
Property taxes	\$1,199,375	\$1,203,463	\$4,088
Tuition	19,950	25,036	5,086
Athletics	66,853	74,745	7,892
Interest income	1,750	2,113	363
Reimbursements and donations	7,000	10,016	3,016
Other revenue	10,656	8,775	(1,881)
Total Local Sources	<u>1,305,584</u>	<u>1,324,148</u>	<u>18,564</u>
State Sources			
Unrestricted grants:			
State school aid	6,933,400	6,929,444	(3,956)
Restricted grants:			
Special education-Headlee obligation	270,653	270,656	3
At Risk	342,589	202,402	(140,187)
Great Start Readiness Preschool	118,405	116,109	(2,296)
Career and technical	38,343	39,337	994
Headlee obligation for data collection	28,178	28,175	(3)
MPERS rate offset	72,197	72,197	0
MPERS UAAL	567,404	567,219	(185)
Other state grants	8,526	7,837	(689)
Total State Sources	<u>8,379,695</u>	<u>8,233,376</u>	<u>(146,319)</u>
Federal Sources			
Title I	223,528	190,698	(32,830)
Title II	113,364	66,922	(46,442)
Indian education	13,214	13,104	(110)
Transfer from intermediate school district:			
Medicaid outreach	400	831	431
Total Federal Sources	<u>350,506</u>	<u>271,555</u>	<u>(78,951)</u>
Interdistrict and Other Sources			
Transfer from intermediate school district:			
County special education tax	248,381	248,381	0
Insurance reimbursements	18,355	18,355	0
Other revenue	145,265	144,331	(934)
Total Interdistrict and Other Sources	<u>412,001</u>	<u>411,067</u>	<u>(934)</u>
 Total Revenues	 <u><u>\$10,447,786</u></u>	 <u><u>\$10,240,146</u></u>	 <u><u>(\$207,640)</u></u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016*

	Salaries	Employee Benefits	Purchased Services
Instruction			
Basic Programs:			
Elementary	\$1,185,749	\$820,934	\$36,749
Middle School	681,589	461,923	21,892
High School	947,340	626,734	42,450
Pre-School	55,035	30,994	1,084
Summer School	3,100	1,343	0
	2,872,813	1,941,928	102,175
Added Needs:			
Special education	425,831	272,396	4,955
Compensatory education	244,640	141,996	24,490
Career and technical education	50,530	33,425	334
	721,001	447,817	29,779
 Total Instruction	 3,593,814	 2,389,745	 131,954
Support Services			
Pupil:			
Guidance	114,623	80,411	0
Speech	57,416	43,542	0
Social work services	19,285	9,042	149
Other pupil services	39,389	18,158	0
	230,713	151,153	149
Instructional Staff:			
Improvement of instruction	5,245	2,215	51,989
Educational media services	19,279	8,898	0
Technology assisted instruction	0	0	3,885
	24,524	11,113	55,874
General Administration:			
Board of education	4,320	169	59,451
Executive administration	116,827	66,397	3,327
	121,147	66,566	62,778
School Administration:			
Office of the principal	384,702	257,268	4,455
Other school administration	0	0	655
	384,702	257,268	5,110
Business Administration:			
Fiscal services	172,727	110,827	1,547
Internal services	0	0	312
Other business services	0	0	7,925
	172,727	110,827	9,784

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Positive (Negative) Budget
\$30,016	\$872	\$0	\$2,074,320	\$2,099,775	\$25,455
6,561	0	0	1,171,965	1,180,508	8,543
20,614	325	126,369	1,763,832	1,772,070	8,238
3,629	5,938	0	96,680	98,600	1,920
0	0	0	4,443	3,604	(839)
<u>60,820</u>	<u>7,135</u>	<u>126,369</u>	<u>5,111,240</u>	<u>5,154,557</u>	<u>43,317</u>
2,312	1,296	0	706,790	724,032	17,242
0	0	0	411,126	566,718	155,592
26,632	7,510	0	118,431	118,431	0
<u>28,944</u>	<u>8,806</u>	<u>0</u>	<u>1,236,347</u>	<u>1,409,181</u>	<u>172,834</u>
89,764	15,941	126,369	6,347,587	6,563,738	216,151
804	0	0	195,838	202,293	6,455
495	0	0	101,453	101,412	(41)
113	0	5,202	33,791	33,470	(321)
0	0	0	57,547	62,961	5,414
<u>1,412</u>	<u>0</u>	<u>5,202</u>	<u>388,629</u>	<u>400,136</u>	<u>11,507</u>
0	0	0	59,449	99,613	40,164
0	0	0	28,177	29,013	836
0	9,289	1,117	14,291	15,354	1,063
<u>0</u>	<u>9,289</u>	<u>1,117</u>	<u>101,917</u>	<u>143,980</u>	<u>42,063</u>
701	0	4,739	69,380	74,613	5,233
979	1,784	545	189,859	188,163	(1,696)
<u>1,680</u>	<u>1,784</u>	<u>5,284</u>	<u>259,239</u>	<u>262,776</u>	<u>3,537</u>
967	348	1,485	649,225	646,889	(2,336)
2,579	0	0	3,234	3,505	271
<u>3,546</u>	<u>348</u>	<u>1,485</u>	<u>652,459</u>	<u>650,394</u>	<u>(2,065)</u>
758	0	6,522	292,381	296,594	4,213
0	0	0	312	312	0
0	0	8,476	16,401	16,477	76
<u>758</u>	<u>0</u>	<u>14,998</u>	<u>309,094</u>	<u>313,383</u>	<u>4,289</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016*

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>
(Concluded)			
Support Services			
Operation and Maintenance:			
Buildings and grounds	\$96,788	\$76,961	\$396,300
Security services	0	0	2,979
	<u>96,788</u>	<u>76,961</u>	<u>399,279</u>
 Pupil Transportation	 201,823	 111,178	 132,236
 Athletics	 58,647	 32,077	 140,392
 Central Services:			
Communication services	0	0	1,908
Staff services	9,780	4,317	17,746
Technology	0	0	2,629
Pupil accounting	16,746	10,657	92
	<u>26,526</u>	<u>14,974</u>	<u>22,375</u>
 Total Support Services	 1,317,597	 832,117	 827,977
 Community Service			
Community recreation	1,786	511	0
Non-public school pupils	27,265	20,235	3,270
	<u>29,051</u>	<u>20,746</u>	<u>3,270</u>
 Total Community Service	 29,051	 20,746	 3,270
 Total Expenditures	 <u>\$4,940,462</u>	 <u>\$3,242,608</u>	 <u>\$963,201</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>
\$280,290	\$1,387	\$3,466	\$855,192	\$935,006	\$79,814
140	1,128	0	4,247	4,175	(72)
<u>280,430</u>	<u>2,515</u>	<u>3,466</u>	<u>859,439</u>	<u>939,181</u>	<u>79,742</u>
45,820	0	4,268	495,325	497,964	2,639
21,119	11,696	7,292	271,223	273,596	2,373
0	0	0	1,908	1,908	0
523	0	0	32,366	39,958	7,592
0	2,989	7,821	13,439	19,558	6,119
0	0	0	27,495	27,265	(230)
<u>523</u>	<u>2,989</u>	<u>7,821</u>	<u>75,208</u>	<u>88,689</u>	<u>13,481</u>
355,288	28,621	50,933	3,412,533	3,570,099	157,566
0	0	0	2,297	3,173	876
0	0	0	50,770	51,381	611
<u>0</u>	<u>0</u>	<u>0</u>	<u>53,067</u>	<u>54,554</u>	<u>1,487</u>
<u>\$445,052</u>	<u>\$44,562</u>	<u>\$177,302</u>	<u>\$9,813,187</u>	<u>\$10,188,391</u>	<u>\$375,204</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>2015</u>	<u>2014</u>
A. School District's proportion of net pension liability (%)	0.06010%	0.06586%
B. School District's proportion proportionate share of net pension liability	\$14,899,149	\$14,507,391
C. School District's covered-employee payroll	\$5,068,692	\$5,593,990
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	34.02%	38.56%
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

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

MASON CONSOLIDATED SCHOOLS

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

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

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

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

MASON CONSOLIDATED SCHOOLS
Notes to Required Supplemental Information
Year Ended June 30, 2016

Changes of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes of assumptions in 2016.

OTHER SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Balance Sheet
Year Ended June 30, 2016*

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Technology	Sinking	
Assets				
Cash and cash equivalents	\$1,827	\$0	\$440,377	\$442,204
Accounts receivable	40	0	311	351
Due from other governmental units	3,175	915	0	4,090
Due from other funds	149,188	193,539	5,711	348,438
Inventory	4,324	0	0	4,324
Prepaid	602	0	0	602
Total Assets	\$159,156	\$194,454	\$446,399	\$800,009
Liabilities				
Accounts payable	\$1,128	\$13,624	\$59,404	\$74,156
Salaries payable	0	80	0	80
Other liabilities	3,739	314	0	4,053
Unearned Revenue	5,285	0	0	5,285
Due to other funds	0	0	0	0
Total Liabilities	10,152	14,018	59,404	83,574
Fund Balances				
Nonspendable:				
Inventory	4,324	0	0	4,324
Prepaid	602	0	0	602
Restricted for:				
Technology enhancement	0	180,436	0	180,436
Capital projects	0	0	386,995	386,995
Food service	144,078	0	0	144,078
Total Fund Balances	149,004	180,436	386,995	716,435
Total Liabilities and Fund Balances	\$159,156	\$194,454	\$446,399	\$800,009

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016*

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Technology	Sinking	
Revenues				
Local sources	\$183,980	\$305,187	\$476,966	\$966,133
State sources	35,477	19,694	0	55,171
Federal sources	314,326	0	0	314,326
Total Revenues	533,783	324,881	476,966	1,335,630
Expenditures				
Food service	513,772	0	0	513,772
Technology	0	299,376	0	299,376
Capital outlay	0	0	346,929	346,929
Total Expenditures	513,772	299,376	346,929	1,160,077
Net Change in Fund Balances	20,011	25,505	130,037	175,553
Fund Balances - Beginning of year	128,993	154,931	256,958	540,882
Fund Balances - End of year	\$149,004	\$180,436	\$386,995	\$716,435

MASON CONSOLIDATED SCHOOLS

Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Food sales	\$193,947	\$183,500	\$183,980	\$480
State Sources:				
Restricted grants	31,966	34,309	35,477	1,168
Federal Sources:				
Restricted grants	304,749	286,094	286,093	(1)
Commodities	25,000	28,233	28,233	0
	<u>329,749</u>	<u>314,327</u>	<u>314,326</u>	<u>(1)</u>
 Total Revenues	 555,662	 532,136	 533,783	 1,647
Expenditures				
Support services:				
Staff services	300	35	35	0
Food service:				
Salaries	110,828	110,965	110,025	940
Employee benefits	53,302	56,432	57,207	(775)
Purchased services	92,263	104,974	105,306	(332)
Supplies and materials	289,168	234,761	227,689	7,072
Capital outlay	0	8,535	8,531	4
Other	5,150	4,979	4,979	0
	<u>551,011</u>	<u>520,681</u>	<u>513,772</u>	<u>6,909</u>
 Total Expenditures	 551,011	 520,681	 513,772	 6,909
 Net Change in Fund Balances	 4,651	 11,455	 20,011	 8,556
 Fund Balance - Beginning of year	 113,217	 128,993	 128,993	 0
 Fund Balance - End of year	 <u>\$117,868</u>	 <u>\$140,448</u>	 <u>\$149,004</u>	 <u>\$8,556</u>

MASON CONSOLIDATED SCHOOLS

Technology Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local sources:				
Property taxes	\$290,000	\$305,186	\$305,187	\$1
State sources:				
Restricted grants:				
MPSERS UAAL	2,594	4,026	4,245	219
Technology Infrastructure	0	14,534	15,449	915
Total state sources	<u>2,594</u>	<u>18,560</u>	<u>19,694</u>	<u>1,134</u>
Total Revenues	292,594	323,746	324,881	1,135
Expenditures				
Instruction:				
Salaries	15,858	28,786	30,186	(1,400)
Employee benefits	8,514	17,654	20,791	(3,137)
Purchased services	53,175	43,440	43,438	2
Supplies and materials	3,000	5,354	5,289	65
Capital outlay	89,700	96,703	96,400	303
	<u>170,247</u>	<u>191,937</u>	<u>196,104</u>	<u>(4,167)</u>
Support services:				
Salaries	36,030	9,825	9,566	259
Employee benefits	20,183	6,707	6,596	111
Purchased services	22,866	22,938	22,824	114
Supplies and materials	11,550	3,340	3,232	108
Capital outlay	6,400	4,384	4,336	48
	<u>97,029</u>	<u>47,194</u>	<u>46,554</u>	<u>640</u>
Interdistrict and other uses:				
Payments to other governmental units	41,001	56,479	56,718	(239)
Total expenditures	<u>308,277</u>	<u>295,610</u>	<u>299,376</u>	<u>(3,766)</u>
Net Change in Fund Balances	(15,683)	28,136	25,505	(2,631)
Fund Balance - Beginning of year	<u>153,639</u>	<u>154,931</u>	<u>154,931</u>	<u>0</u>
Fund Balance - End of year	<u><u>\$137,956</u></u>	<u><u>\$183,067</u></u>	<u><u>\$180,436</u></u>	<u><u>(\$2,631)</u></u>

MASON CONSOLIDATED SCHOOLS

*Sinking Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative) Budget
Revenues				
Local Sources:				
Property taxes	\$465,788	\$475,081	\$476,483	\$1,402
Interest income	0	450	483	33
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	465,788	475,531	476,966	1,435
Expenditures				
Support services:				
Business	0	675	756	(81)
Operations and maintenance:				
Purchased services	500	2,000	1,679	321
Building improvements:				
Purchased services	20,000	90,392	67,586	22,806
Capital outlay	200,000	311,949	276,908	35,041
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	220,500	405,016	346,929	58,087
Net Change in Fund Balances	245,288	70,515	130,037	59,522
Fund Balance - Beginning of year	70,347	256,958	256,958	0
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - End of year	<u>\$315,635</u>	<u>\$327,473</u>	<u>\$386,995</u>	<u>\$59,522</u>

MASON CONSOLIDATED SCHOOLS

*Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016*

	Student Activities Agency Fund			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deductions	
Assets				
Cash	\$143,590	\$157,777	\$161,108	\$140,259
Due from School District	0	194	0	194
Total Assets	<u>\$143,590</u>	<u>\$157,971</u>	<u>\$161,108</u>	<u>\$140,453</u>
Liabilities				
Due to student groups	\$143,507	\$157,970	\$161,025	\$140,452
Due to School District	83	1	83	1
	<u>\$143,590</u>	<u>\$157,971</u>	<u>\$161,108</u>	<u>\$140,453</u>
	Flexible Spending Agency Fund			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deductions	
Assets				
Cash	\$7,652	\$19,440	\$18,316	\$8,776
Liabilities				
Other liabilities	\$7,652	\$19,440	\$18,316	\$8,776

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2016*

	Due to (From) Student Groups July 1, 2015	Receipts	Disbursements	Due to (From) Student Groups June 30, 2016
Art	\$2,306	\$0	\$26	\$2,280
Robotics Team	101	254	352	3
Senior Signs	209	141	0	350
WSRCC Scholarship	250	250	250	250
Reighard Scholarship	501	500	500	501
Dawn Schmidt Scholarship	1,000	500	500	1,000
Building	158	0	0	158
Media Center-High School	128	0	0	128
Miscellaneous-High School	792	80	317	555
Yearbook	709	6,782	6,687	804
Football	9,755	5,715	14,290	1,180
MS Football	25	600	0	625
Counseling Department	12	0	0	12
Spanish Club	11	0	0	11
Board of Education	2	0	0	2
Lumber	8,518	10,218	9,114	9,622
Student Pop Commission	2,030	2,352	2,676	1,706
Planetarium	234	0	0	234
Band	709	0	0	709
Art Scholarship	225	0	0	225
Athletic Activity	542	77	619	0
Student Council	6,449	6,908	4,202	9,155
High School Parent Group	282	0	0	282
Steingass Scholarship	6,942	315	1,000	6,257
After Prom Party	1,295	3,488	3,339	1,444
Youth-in-Government	111	3,085	2,854	342
Flag Corp	105	0	0	105
National Honor Society	70	442	385	127
Pop Machine	2,399	687	845	2,241
Davinci Disciples	182	137	69	250
Student Prevention Leadership Team	1,039	1,000	500	1,539
Dollars for Scholars	0	2,832	2,832	0
Darrin Klod Athletic Memorial Fund	0	1,790	0	1,790
Volleyball	1,650	3,640	2,705	2,585
Softball	7,028	5,635	7,129	5,534
Wrestling	287	30	0	317
Girls Swimming	521	2,939	653	2,807
Cheerleading	2,170	4,656	5,500	1,326
Boys Basketball	29	124	0	153
Baseball	845	1,290	1,761	374
Girls Basketball	2,012	65	4	2,073
MS Wrestling	107	0	0	107

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2016*

(Continued)	Due to (From)			Due to (From)
	Student Groups July 1, 2015	Receipts	Disbursements	Student Groups June 30, 2016
Boys Cross Country	\$7,406	\$2,894	\$1,915	\$8,385
Boys Swimming	2,472	2,382	1,887	2,967
Physical Education	348	0	0	348
Weightlifting	530	500	629	401
Golf	224	0	0	224
Class of 65 Sign	4,855	0	0	4,855
Boys Varsity Track	1,772	1,640	1,997	1,415
Student Workers	113	0	0	113
Choir	281	0	0	281
Science Olympiad	27	0	0	27
Sales Tax	123	1,754	1,721	156
Alumni Association	333	0	0	333
Eagle Run	0	2,630	2,630	0
Class of 2014	4	0	4	0
Class of 2015	393	4	397	0
Class of 2016	1,230	3,282	4,512	0
Class of 2017	1,056	5,400	5,593	863
Class of 2018	79	4,228	3,180	1,127
Class of 2019	0	535	288	247
MS Texas Hold'em Fundraiser	483	0	0	483
MS Science Olympiad	1,668	1,441	1,175	1,934
Library	234	90	243	81
N.J.H.S	1,142	357	777	722
Principal Acct - Middle School	4,556	1,119	657	5,018
MS Volunteer Program	1,360	0	98	1,262
PE	1,700	0	0	1,700
Yearbook	1,773	2,384	1,879	2,278
MS Choir	1,513	2,122	1,706	1,929
Youth in Government	1,962	5,166	5,269	1,859
Art	446	0	0	446
7th Grade	227	0	0	227
Costello, Susan	165	0	0	165
8th Grade	1,392	22,807	23,368	831
6th Grade	694	1,445	1,724	415
Student Enrichment	13,051	518	800	12,769
Student Pop	578	198	308	468
Staff Pop	412	157	338	231
Denko - Donated At Risk	335	390	354	371
Peer to Peer	6	1,575	1,102	479
Central - Counselor	88	0	0	88
Kindergarten Field Trips	236	0	115	121

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2016*

(Continued)	Due to (From)			Due to (From)
	Student Groups	Receipts	Disbursements	Student Groups
	July 1, 2015			June 30, 2016
Central - Office	\$4,827	\$4,724	\$6,824	\$2,727
Central - Coke	1,067	900	959	1,008
Central - Bennet, Jill	49	0	0	49
1st Grade Field Trips	1,026	382	0	1,408
Central - Student council	3,803	269	233	3,839
Central - Yenor, Beth	64	143	0	207
Central - T-Shirts	2,956	140	636	2,460
Central - Hagan, Jennifer	16	0	0	16
Central - Swartz, Megan	127	1,918	0	2,045
Central - Library Fines	955	365	470	850
Central - Beczynski, Michelle	81	0	0	81
Central - Krohn, Sara	78	0	55	23
Central - Gallaher, Julie	173	0	0	173
Central - Hall, Max	311	0	168	143
Central - Geddes, Jean	104	0	0	104
Central - Bowman, April	50	0	0	50
Central - Hyden, Katie	10	0	0	10
Central - Conway, Lisa	142	0	0	142
Central - Kline, Deanna	52	0	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	144	274
Central - Roberts, Lauren	49	0	0	49
Central - Sorter, Stephanie	11	0	11	0
Central - Keane, Megan	118	0	0	118
Central - Sweigert, Josh	144	0	0	144
Central - Bondy, Jane	136	0	0	136
Central - Wingate, Kristy	86	34	14	106
Central - Kaufman, Melody	459	0	0	459
Central - Martin, Floyd	16	0	0	16
2nd Grade Field Trips	2,171	793	883	2,081
3rd Grade Field Trips	12	842	853	1
Central - Speech	102	0	0	102
Central - Mazur, Maureen	8	0	0	8
Central - Camp Storer	5,327	14,492	14,525	5,294
Central - Irwin, Jessica	61	0	0	61
Central - Pagel, Angie	53	0	0	53
4th Grade Field Trips	528	1,418	1,475	471
Total Due to Student Groups	\$143,507	\$157,970	\$161,025	\$140,452

MASON CONSOLIDATED SCHOOLS

*Schedule of Athletics
Budget and Actual
Year Ended June 30, 2016*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Admissions	\$31,950	\$37,539	\$42,769	\$5,230
Participation fees	15,875	20,000	20,075	75
Other revenue	5,000	9,314	11,901	2,587
Total local sources	<u>52,825</u>	<u>66,853</u>	<u>74,745</u>	<u>7,892</u>
State Sources:				
Restricted grants	<u>10,327</u>	<u>7,219</u>	<u>8,013</u>	<u>794</u>
Total Revenues	<u>\$63,152</u>	<u>\$74,072</u>	<u>\$82,758</u>	<u>\$8,686</u>
Expenditures				
Pupil Transportation:				
Salaries	\$12,100	\$15,025	\$15,074	(\$49)
Employee benefits	5,339	6,911	7,039	(128)
Other expenses	1,100	1,241	1,292	(51)
Staff Services:				
Purchased services	3,000	1,630	1,589	41
Athletics:				
Salaries	59,985	58,202	58,647	(445)
Employee benefits	31,925	31,793	32,077	(284)
Purchased services	139,703	143,540	140,392	3,148
Supplies and materials	15,250	20,610	21,119	(509)
Capital outlay	1,500	11,710	11,696	14
Other expenses	<u>9,200</u>	<u>7,741</u>	<u>7,292</u>	<u>449</u>
Total Expenditures	<u>\$279,102</u>	<u>\$298,403</u>	<u>\$296,217</u>	<u>\$2,186</u>

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2016*

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	S060A150275	84.060A	\$12,046
Passed Through State Department of Education:			
Title I, Part A - Schoolwide Planning	161520-1516	84.010A	3,000
Title I, Part A - Improving Basic Programs	151530-1415	84.010A	221,496
Title I, Part A - Improving Basic Programs	161530-1516	84.010A	220,528
			445,024
Title II, Part A - Teacher/Principal Training & Recruiting	150520-1415	84.367A	99,650
Title II, Part A - Teacher/Principal Training & Recruiting	160520-1516	84.367A	113,364
			213,014
Total Passed Through State Dept. of Education			658,038
Total U.S. Department of Education			670,084
<u>U.S. Department of Health and Human Services</u>			
Passed Through Intermediate School District:			
Medicaid Outreach		93.778	831

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2015	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2016
\$0	\$11,630	\$13,104	\$8,658	\$4,446
0	0	3,000	3,000	0
10,698	191,698	0	10,698	0
0	0	187,698	143,000	44,698
<u>10,698</u>	<u>191,698</u>	<u>190,698</u>	<u>156,698</u>	<u>44,698</u>
7,925	43,925	0	7,925	0
0	0	66,922	40,000	26,922
<u>7,925</u>	<u>43,925</u>	<u>66,922</u>	<u>47,925</u>	<u>26,922</u>
<u>18,623</u>	<u>235,623</u>	<u>257,620</u>	<u>204,623</u>	<u>71,620</u>
<u>18,623</u>	<u>247,253</u>	<u>270,724</u>	<u>213,281</u>	<u>76,066</u>
<u>\$0</u>	<u>\$2,042</u>	831	<u>\$831</u>	<u>\$0</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2016*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
Cash Assistance:		
National School Lunch Program		
151960 All Lunches	10.555	\$204,533
161960 All Lunches	10.555	191,032
		<u>395,565</u>
151970 Breakfast	10.553	75,638
161970 Breakfast	10.553	68,809
		<u>144,447</u>
		540,012
Noncash Assistance:		
National Lunch Program Commodities	10.555	28,233
		<u>28,233</u>
Total U.S. Department of Agriculture		<u>568,245</u>
Total Federal Financial Assistance		<u><u>\$1,239,160</u></u>

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2015	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2016
\$2,127	\$184,533	\$20,000	\$22,127	\$0
0	0	191,032	191,032	0
<u>2,127</u>	<u>184,533</u>	<u>211,032</u>	<u>213,159</u>	<u>0</u>
5,102	69,386	6,252	11,354	0
0	0	68,809	68,809	0
<u>5,102</u>	<u>69,386</u>	<u>75,061</u>	<u>80,163</u>	<u>0</u>
<u>7,229</u>	<u>253,919</u>	<u>286,093</u>	<u>293,322</u>	<u>0</u>
0	0	28,233	28,233	0
<u>\$7,229</u>	<u>\$253,919</u>	<u>314,326</u>	<u>\$321,555</u>	<u>\$0</u>
		<u>\$585,881</u>		

MASON CONSOLIDATED SCHOOLS

*Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016*

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Mason Consolidated Schools under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mason Consolidated Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mason Consolidated Schools.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as a reimbursement.
3. Mason Consolidated Schools has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
4. Certain federal programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.
5. There were no federal awards expended for loan or loan guarantee programs.
6. Mason Consolidated Schools does not have any subrecipients.
7. The amounts reported on the Grant Section Auditors Report reconcile with this schedule.

	Title I	Title II
Current Year Receipts	\$143,000	\$40,000
Accrued Revenue	22,000	20,000
Grant Auditor Report	\$165,000	\$60,000



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

James R. Cooley, CPA
David K. Hehl, 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, 2016, 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 5, 2016



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

James R. Cooley, CPA
David K. Hehl, 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

October 5, 2016

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, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10, 2016. 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 2016, Mason Consolidated Schools implemented Governmental Accounting Standard Board Statement Number 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*. We noted no transactions entered into by Mason Consolidated Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

To the Board of Directors
Mason Consolidated Schools

-2-

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of 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 5, 2016.

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

-3-

Other Matters (continued)

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

Restriction of Use

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

Very truly yours,

Cooly Held Wollgamuth & Carlton