
Mason Public Schools

**Financial Report
with Supplemental Information
June 30, 2021**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Notes to Financial Statements	15-33
Required Supplemental Information	34
Budgetary Comparison Schedule - General Fund	35
Schedule of the School District's Proportionate Share of the Net Pension Liability	36
Schedule of the School District's Proportionate Share of the Net OPEB Liability	37
Schedule of Pension Contributions	38
Schedule of OPEB Contributions	39
Notes to Required Supplemental Information	40
Other Supplemental Information	41
Nonmajor Governmental Funds:	
Combining Balance Sheet	42
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	43
Schedule of Bonded Indebtedness	44
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Mason Public Schools

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 Public Schools (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Mason Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Public Schools as of June 30, 2021 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2020, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Education
Mason Public Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, 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, which 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 supplemental 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 Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021 on our consideration of Mason Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mason Public Schools' internal control over financial reporting and compliance.



October 12, 2021

This section of the annual financial report for Mason Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Mason Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2021 Building and Site Capital Projects Fund, with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

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

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

Schedule of Pension Contributions

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is 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 nonfinancial 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 the 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, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant 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 many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

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 an accounting method called modified accrual accounting, 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 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.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Assets		
Current and other assets	\$ 32.8	\$ 17.7
Capital assets	63.0	57.4
Total assets	95.8	75.1
Deferred Outflows of Resources	23.6	26.2
Liabilities		
Current liabilities	6.9	6.8
Noncurrent liabilities	54.3	38.1
Net pension liability	71.6	67.2
Net OPEB liability	11.2	14.7
Total liabilities	144.0	126.8
Deferred Inflows of Resources	11.4	10.7
Net Position (Deficit)		
Net investment in capital assets	26.6	23.4
Restricted	1.5	2.6
Unrestricted	(64.1)	(62.2)
Total net position (deficit)	\$ (36.0)	\$ (36.2)

Mason Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(36.0) million at June 30, 2021. Net investment in capital assets totaling \$26.6 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(64.1) million) was unrestricted.

The \$(64.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2020 beginning net position by \$352,658, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2021 and statement of activities for the year ended June 30, 2021 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.3	\$ 1.2
Operating grants	12.8	9.3
General revenue:		
Taxes	8.6	8.3
State aid not restricted to specific purposes	22.4	21.7
Other	0.5	0.7
Total revenue	44.6	41.2
Expenses		
Instruction	24.5	24.5
Support services	13.3	12.8
Athletics	0.8	0.8
Food services	1.4	1.7
Community services	0.6	0.5
Debt service	1.9	1.4
Depreciation expense (unallocated)	2.3	2.1
Total expenses	44.8	43.8
Change in Net Position	(0.2)	(2.6)
Net Position (Deficit) - Beginning of year (as restated) (Note 2)	(35.8)	(33.6)
Net Position (Deficit) - End of year	\$ (36.0)	\$ (36.2)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$44.8 million. Certain activities were partially funded from those who benefited from the programs (\$0.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.8 million). We paid for the remaining public benefit portion of our governmental activities with \$8.6 million in taxes, \$22.4 million in state foundation allowance, and with other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$0.2 million. The key reason for the decrease in net position is due to the operating results of the General Fund and the change in net pension and OPEB liabilities and the related deferred inflows and outflows.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide 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 \$26.3 million, which is an increase of \$14.8 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by 1.6 million to 6.1 million. Even though local sources of revenue decreased due to the pandemic, state and federal grant funding increased significantly to help the School District deal with implementing the COVID-19 learning plan by hiring additional staff and purchasing necessary supplies. The superblend formula used to calculate student FTEs had a positive impact on the School District, along with 11d and CRF funding.

In the 2021 Building and Site Capital Projects Fund, the fund balance increased by 17.2 million this year, as the School District received proceeds from the 2021 Building and Site bonds. This fund is part of Series II to renovate Steele Elementary.

Combined, the fund balance of our debt service funds increased by \$0.2 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our special revenue funds decreased by \$0.3 million. With the adoption of GASB 84, the School District created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2020 beginning fund balance by \$330,088.

The fund balance of our nonmajor capital project funds decreased by approximately \$4.4 million due to capital outlay costs in the Sinking Fund and the continued spending of the 2018 Building and Site bonds. The 2018 Building and Site capital projects were considered substantially complete as of June 30, 2021.

Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing 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.

There were significant revisions made to the 2020-2021 original budget. Budgeted revenue was increased \$4.6 million due to an increase in CRF funding, ESSER II, State Aid Equalization Payments, 31a funding, and other new grants received.

Budgeted expenditures were also increased \$3.1 million to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

There was a significant variance between the final budget and actual amounts for support services - technology expenditures due to the purchase of Chromebook and cases for all K-12 students from ESSER II funding. These purchases were board approved at regular board meeting on April 12, 2021. Originally, they were going to be received in 2021-2022 fiscal year, but the School District took delivery of them in June 2021.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had \$63.0 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net increase (including additions, disposals, and depreciation) of approximately \$5.7 million from 2020 to 2021.

	2021	2020
Land	\$ 506,130	\$ 440,021
Construction in progress	2,884,337	18,725,731
Buildings and improvements	92,922,313	70,625,990
Furniture and equipment	13,655,487	13,185,726
Buses and other vehicles	1,825,650	1,880,650
Total capital assets	111,793,917	104,858,118
Less accumulated depreciation	48,763,385	47,482,917
Total capital assets - Net of accumulated depreciation	\$ 63,030,532	\$ 57,375,201

This year's additions of \$8.0 million included construction in progress related to the 2021 Building and Site bond projects, building improvements, and furniture and equipment. Several major capital projects are planned for the 2021-2022 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$54.0 million in bonds outstanding versus \$37.7 million in the previous year.

Bonds and notes consisted of the following:

	2021	2020
General obligation bonds	\$ 54,036,596	\$ 37,662,738
Other	294,986	395,030
Total	\$ 54,331,582	\$ 38,057,768

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$54.0 million is significantly below this statutorily imposed limit.

Other obligations include accrued compensated absences and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2021-2022 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 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. Approximately 59.2 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021-2022 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2021-2022 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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 revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 201 W. Ash Street, Mason, MI 48854.

	June 30, 2021
	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 4)	\$ 6,679,598
Receivables:	
Other receivables	50,610
Due from other governments	5,556,579
Inventory	27,964
Prepaid expenses	409,514
Restricted assets (Notes 4 and 5)	20,048,740
Capital assets - Net (Note 8)	<u>63,030,532</u>
Total assets	95,803,537
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 9)	198,849
Deferred pension costs (Note 11)	17,377,526
Deferred OPEB costs (Note 11)	<u>6,011,924</u>
Total deferred outflows of resources	23,588,299
Liabilities	
Accounts payable	1,214,065
Accrued liabilities and other	5,196,431
Unearned revenue (Note 6)	509,960
Noncurrent liabilities:	
Due within one year (Note 9)	2,836,519
Due in more than one year (Note 9)	51,495,063
Net pension liability (Note 11)	71,552,674
Net OPEB liability (Note 11)	<u>11,214,878</u>
Total liabilities	144,019,590
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	2,723,077
Deferred pension costs (Note 11)	259,975
Deferred OPEB costs (Note 11)	<u>8,396,315</u>
Total deferred inflows of resources	<u>11,379,367</u>
Net Position (Deficit)	
Net investment in capital assets	26,628,285
Restricted:	
Debt service	1,478,518
Capital projects	15,010
Unrestricted	<u>(64,128,934)</u>
Total net position (deficit)	<u><u>\$ (36,007,121)</u></u>

Year Ended June 30, 2021

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 24,505,753	\$ -	\$ 6,660,226	\$ (17,845,527)
Support services	13,290,377	-	4,485,691	(8,804,686)
Athletics	799,543	35,025	-	(764,518)
Food services	1,413,242	1,513	1,629,410	217,681
Community services	606,333	257,173	-	(349,160)
Interest	1,538,516	-	-	(1,538,516)
Other debt costs	306,009	-	-	(306,009)
Depreciation expense (unallocated) (Note 8)	2,308,081	-	-	(2,308,081)
Total primary government	\$ 44,767,854	\$ 293,711	\$ 12,775,327	(31,698,816)
General revenue:				
Taxes:				
Property taxes levied for general purposes				3,498,165
Property taxes levied for debt service				4,324,965
Property taxes levied for capital projects				763,652
State aid not restricted to specific purposes				22,410,379
Federal grants and contributions not restricted to specific purposes				14,980
Interest and investment earnings				27,894
Penalties, interest, and other taxes				27,217
Gain on sale of capital assets				1,200
Other				438,663
Total general revenue				31,507,115
Change in Net Position				(191,701)
Net Position (Deficit) - Beginning of year (as restated) (Note 2)				(35,815,420)
Net Position (Deficit) - End of year				\$ (36,007,121)

Mason Public Schools

**Governmental Funds
Balance Sheet**

June 30, 2021

	General Fund	2021 Building and Site Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 6,025,840	\$ -	\$ 653,758	\$ 6,679,598
Receivables:				
Other receivables	5,610	-	45,000	50,610
Due from other governments	5,468,427	-	88,152	5,556,579
Due from other funds (Note 7)	4,186	-	58,723	62,909
Inventory	-	-	27,964	27,964
Prepaid expenses	409,514	-	-	409,514
Restricted assets (Notes 4 and 5)	-	17,617,403	2,431,337	20,048,740
	\$ 11,913,577	\$ 17,617,403	\$ 3,304,934	\$ 32,835,914
Total assets				
Liabilities				
Accounts payable	\$ 550,419	\$ 453,402	\$ 210,244	\$ 1,214,065
Due to other funds (Note 7)	58,723	250	3,936	62,909
Accrued liabilities and other	4,728,842	-	14,751	4,743,593
Unearned revenue (Note 6)	474,727	-	35,233	509,960
	5,812,711	453,652	264,164	6,530,527
Total liabilities				
Fund Balances				
Nonspendable:				
Inventory	-	-	27,964	27,964
Prepays	409,514	-	-	409,514
Nonexpendable - Rayner Bond	-	-	35,000	35,000
Restricted:				
Debt service	-	-	1,931,356	1,931,356
Grants	284,623	-	-	284,623
Capital projects	-	17,163,751	339,406	17,503,157
Food service	-	-	407,154	407,154
Committed:				
Student activities	-	-	299,890	299,890
Athletics	22,570	-	-	22,570
Assigned - Budgeted use of fund balance in subsequent year	421,654	-	-	421,654
Unassigned	4,962,505	-	-	4,962,505
	6,100,866	17,163,751	3,040,770	26,305,387
Total fund balances				
Total liabilities and fund balances	\$ 11,913,577	\$ 17,617,403	\$ 3,304,934	\$ 32,835,914

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 26,305,387
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 capital assets	111,793,917
Accumulated depreciation	<u>(48,763,385)</u>
Net capital assets used in governmental activities	63,030,532
Deferred outflows related to bond refunding are not reported in the funds	198,849
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(54,089,243)
Accrued interest is not due and payable in the current period and is not reported in the funds	(452,838)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(242,339)
Net pension liability and related deferred inflows and outflows	(54,435,123)
Net OPEB liability and related deferred inflows and outflows	<u>(13,599,269)</u>
Total employee fringe benefits not reported as fund liabilities	(68,276,731)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(2,723,077)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (36,007,121)</u></u>

Mason Public Schools

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	2021 Building and Site Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 4,000,361	\$ 1,001	\$ 5,372,905	\$ 9,374,267
State sources	28,598,098	-	349,195	28,947,293
Federal sources	2,597,832	-	1,400,005	3,997,837
Interdistrict sources	2,660,319	-	63,530	2,723,849
Total revenue	37,856,610	1,001	7,185,635	45,043,246
Expenditures				
Current:				
Instruction	22,150,003	-	-	22,150,003
Support services	11,947,324	3,445	259,382	12,210,151
Athletics	741,826	-	-	741,826
Food services	-	-	1,328,481	1,328,481
Community services	544,534	-	-	544,534
Debt service: (Note 9)				
Principal	25,225	-	2,885,000	2,910,225
Interest	2,988	-	1,434,894	1,437,882
Other debt costs	-	305,259	750	306,009
Capital outlay	1,173,224	1,654,684	5,144,659	7,972,567
Total expenditures	36,585,124	1,963,388	11,053,166	49,601,678
Excess of Revenue Over (Under) Expenditures	1,271,486	(1,962,387)	(3,867,531)	(4,558,432)
Other Financing Sources (Uses)				
Face value of debt issued (Note 9)	-	17,970,000	-	17,970,000
Proceeds from sale of capital assets	1,200	-	-	1,200
Premium on debt issued	-	1,417,270	-	1,417,270
Transfers in (Note 7)	311,132	-	-	311,132
Transfers out (Note 7)	-	(261,132)	(50,000)	(311,132)
Total other financing sources (uses)	312,332	19,126,138	(50,000)	19,388,470
Net Change in Fund Balances	1,583,818	17,163,751	(3,917,531)	14,830,038
Fund Balances - Beginning of year (as restated) (Note 2)	4,517,048	-	6,958,301	11,475,349
Fund Balances - End of year	<u>\$ 6,100,866</u>	<u>\$ 17,163,751</u>	<u>\$ 3,040,770</u>	<u>\$ 26,305,387</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 14,830,038
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	7,963,412
Depreciation expense	<u>(2,308,081)</u>
Total	5,655,331
Revenue in support of pension contributions made subsequent to the measurement date	(468,293)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(19,387,270)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	2,972,354
Interest expense is recognized in the government-wide statements as it accrues	(162,763)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(3,631,098)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (191,701)</u></u>

Note 1 - Nature of Business

Mason Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-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 and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, and capital project funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Note 2 - Significant Accounting Policies (Continued)

- The 2021 Building and Site Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for building, equipment, and remodeling. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the Food Service Fund and Student Activities Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The School District's nonmajor capital projects funds are the Sinking Fund and 2018 Building and Site Capital Projects Fund.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash 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.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments
- Unspent property taxes levied and held in the Sinking Fund required to be set aside for construction or allowable purchases

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Depreciable Life - Years</u>
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Buses and other vehicles	8

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB costs.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

June 30, 2021**Note 2 - Significant Accounting Policies (Continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the chief financial officer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities and private purpose trust funds were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within the general fund or a special revenue fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	General Fund	Student Activities Fund
Net position (deficit)/fund balance - June 30, 2020 - As previously reported	\$ (36,168,078)	\$ 4,494,478	\$ -
Adjustment for GASB Statement No. 84 - Rayner Bond	39,755	-	39,755
Adjustment for GASB Statement No. 84 - Athletics	290,333	-	290,333
Adjustment for GASB Statement No. 84 - Student Groups	22,570	22,570	-
Net position (deficit)/fund balance - June 30, 2020 - As restated	(35,815,420)	4,517,048	330,088

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District has analyzed the new standard and has determined that amounts in the financial statements will not be significantly impacted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased budgeted amounts during the year in response to additional state and federal funding available related to the COVID-19 pandemic.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
Support services - Technology	\$ 861,550	\$ 1,065,030

Capital Projects Fund Compliance

The 2018 Building and Site Capital Projects Fund and 2021 Building and Site Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2018 Building and Site Capital Projects Fund. The project for which the 2018 Building and Site bonds were issued was considered complete on August 21, 2020. The cumulative expenditures recognized for the construction period were \$34,609,229.

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, authorized prior to March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

Note 4 - Deposits and Investments

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, certificates of deposit, commercial paper rated prime at the time of purchase that matures no 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 and investments are in accordance with statutory authority.

The School District has designated three banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for MILAF cash management funds, which require a 1-day minimum investment period, and MILAF MAX Class funds, which may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

Note 4 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits subject to custodial credit risk. At year end, the School District had \$4,361,003 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk 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's investment policy states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2021, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk 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

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Michigan CLASS Pool	\$ 4,860,483	AAAm	Standard & Poor's
MILAF Cash Management and Max Class	17,661,958	AAAm	Standard & Poor's
Total	<u>\$ 22,522,441</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Any investment over 5 percent of total investments is a concentration. The School District does not have any investments subject to concentration of credit risk.

Note 4 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The School District has the following recurring fair value measurements as of June 30, 2021:

- \$4,860,483 invested in Michigan CLASS investment pool measured at fair value using net asset value per share

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 4,860,483	\$ -	N/A	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A 1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

June 30, 2021

Note 5 - Restricted Assets

At June 30, 2021, restricted assets are composed of the following:

Description	Governmental Activities
Unspent property taxes of the Sinking Fund capital projects fund	\$ 499,981
Unspent property taxes of the 2012 Refunding Bonds Fund	628,746
Unspent property taxes of the 2018 Building and Site Bonds Fund	1,302,610
Unspent bond proceeds of the 2021 Building and Site Capital Projects Fund	<u>17,617,403</u>
Total	<u>\$ 20,048,740</u>

Note 6 - 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 recognition in connection with resources that have been received but not yet earned.

At June 30, 2021, the various components of unearned revenue were as follows:

	Liability - Unearned
Child development services program deposits	\$ 19,392
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>490,568</u>
Total	<u>\$ 509,960</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	2021 Building and Site Capital Projects Fund	\$ 250
	Student Activities Fund	3,936
Food Service Fund	General Fund	<u>58,723</u>
	Total	<u>\$ 62,909</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

During the year ended June 30, 2021, the Food Service Fund transferred \$50,000 to the General Fund to reimburse the General Fund for indirect costs, and the 2021 Building and Site Capital Projects Fund transferred \$261,132 to the General Fund for the reimbursement of the purchase of school buses.

June 30, 2021

Note 8 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 440,021	\$ 66,109	\$ -	\$ -	\$ 506,130
Construction in progress	18,725,731	(22,208,704)	6,367,310	-	2,884,337
Subtotal	19,165,752	(22,142,595)	6,367,310	-	3,390,467
Capital assets being depreciated:					
Buildings and improvements	70,625,990	22,123,407	172,916	-	92,922,313
Furniture and equipment	13,185,726	19,188	1,423,186	(972,613)	13,655,487
Buses and other vehicles	1,880,650	-	-	(55,000)	1,825,650
Subtotal	85,692,366	22,142,595	1,596,102	(1,027,613)	108,403,450
Accumulated depreciation:					
Buildings and improvements	34,982,968	-	1,873,092	-	36,856,060
Furniture and equipment	11,513,998	-	288,524	(972,613)	10,829,909
Buses and other vehicles	985,951	-	146,465	(55,000)	1,077,416
Subtotal	47,482,917	-	2,308,081	(1,027,613)	48,763,385
Net capital assets being depreciated	38,209,449	22,142,595	(711,979)	-	59,640,065
Net governmental activities capital assets	<u>\$ 57,375,201</u>	<u>\$ -</u>	<u>\$ 5,655,331</u>	<u>\$ -</u>	<u>\$ 63,030,532</u>

Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities, and allocation is not practical.

Construction Commitments

The School District has active construction projects at year end. The projects include the Sinking Fund projects and the 2021 Building and Site bond project. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Sinking Fund capital projects	\$ 3,243,368	\$ 198,015
2021 Building and Site capital projects	3,215,390	13,955,294
Total	<u>\$ 6,458,758</u>	<u>\$ 14,153,309</u>

June 30, 2021

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation	\$ 35,655,000	\$ 17,970,000	\$ (2,885,000)	\$ 50,740,000	\$ 2,630,000
Unamortized bond premiums	2,007,738	1,417,270	(128,412)	3,296,596	182,922
Total bonds payable	37,662,738	19,387,270	(3,013,412)	54,036,596	2,812,922
Capital leases	77,872	-	(25,225)	52,647	23,597
Compensated absences	317,158	13,076	(87,895)	242,339	-
Total governmental activities long-term debt	<u>\$ 38,057,768</u>	<u>\$ 19,400,346</u>	<u>\$ (3,126,532)</u>	<u>\$ 54,331,582</u>	<u>\$ 2,836,519</u>

The School District had deferred outflows of \$198,849 related to deferred charges on bond refundings at June 30, 2021.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2021 are as follows:

Purpose	Outstanding
\$8,230,000 2012 Refunding Bonds due in installments of \$740,000 to \$750,000 through May 1, 2024, with an interest rate of 3.0 percent	\$ 2,230,000
\$32,515,000 2018 Building and Site Bonds due in installments of \$100,000 to \$2,000,000 through May 1, 2047, with interest rates ranging from 3.25 to 5.0 percent	30,540,000
\$17,970,000 2021 Building and Site Bonds due in installments of \$95,000 to \$1,160,000 through May 1, 2047, with interest rates ranging from 2.0 to 5.0 percent	17,970,000
Total governmental activities	<u>\$ 50,740,000</u>

Other Long-term Liabilities

Other long-term liabilities include severance pay and capital leases, which will be liquidated primarily by the General Fund.

June 30, 2021

Note 9 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and capital lease obligations are as follows:

Years Ending June 30	Governmental Activities				Total
	Other Debt		Capital Lease		
	Principal	Interest	Principal	Interest	
2022	\$ 2,630,000	\$ 1,905,215	\$ 23,597	\$ 1,790	\$ 4,560,602
2023	2,690,000	1,762,363	9,527	1,040	4,462,930
2024	1,875,000	1,642,663	10,023	543	3,528,229
2025	1,810,000	1,563,913	9,500	78	3,383,491
2026	1,750,000	1,473,413	-	-	3,223,413
2027-2031	9,675,000	6,015,312	-	-	15,690,312
2032-2036	11,480,000	3,872,962	-	-	15,352,962
2037-2041	13,345,000	2,033,494	-	-	15,378,494
2042-2046	5,290,000	302,113	-	-	5,592,113
2047	195,000	5,638	-	-	200,638
Total	\$ 50,740,000	\$ 20,577,086	\$ 52,647	\$ 3,451	\$ 71,373,184

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District participates in the MASB-SEG Property and Casualty Pool with other school districts for claims relating to property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The School District participates in the SEG Self-Insurer Workers' Compensation Fund with other school districts for workers' compensation claims.

The 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 11 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

June 30, 2021

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

June 30, 2021

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plans for the year ended June 30, 2021 were \$6,322,447, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$2,723,077 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$1,536,167, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the School District reported a liability of \$71,552,674 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the School District's proportion was 0.208298 and 0.202860 percent, respectively, representing a change of 2.68 percent.

June 30, 2021

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2021, the School District reported a liability of \$11,214,878 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the School District's proportion was 0.209340 and 0.204671 percent, respectively, representing a change of 2.28 percent.

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

For 2021, the School District recognized pension expense of \$11,451,317, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, 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
Difference between expected and actual experience	\$ 1,093,266	\$ (152,719)
Changes in assumptions	7,928,726	-
Net difference between projected and actual earnings on pension plan investments	300,632	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,619,875	(107,256)
The School District's contributions to the plan subsequent to the measurement date	5,435,027	-
	<u>5,435,027</u>	<u>-</u>
Total	<u>\$ 17,377,526</u>	<u>\$ (259,975)</u>

The \$2,723,077 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2022	\$ 5,213,768
2023	3,759,087
2024	2,064,299
2025	645,370
	<u>645,370</u>
Total	<u>\$ 11,682,524</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the School District recognized OPEB recovery of \$20,047.

June 30, 2021

Note 11 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (8,356,132)
Changes in assumptions	3,697,768	-
Net difference between projected and actual earnings on OPEB plan investments	93,601	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,057,015	(40,183)
Employer contributions to the plan subsequent to the measurement date	1,163,540	-
Total	<u>\$ 6,011,924</u>	<u>\$ (8,396,315)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2022	\$ (949,557)
2023	(820,181)
2024	(669,587)
2025	(590,823)
2026	(517,783)
Total	<u>\$ (3,547,931)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.0%	Year 1, graded to 3.5% year 15, 3.0% year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

June 30, 2021

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 92,612,798	\$ 71,552,674	\$ 54,098,524

June 30, 2021

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 14,406,785	\$ 11,214,878	\$ 8,527,559

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 8,424,667	\$ 11,214,878	\$ 14,388,398

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2021, the School District reported a payable of \$1,331,990 and \$253,386 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2021, the School District's property tax revenue was reduced by \$651,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$479,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages.

Required Supplemental Information

Mason Public Schools

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 4,520,190	\$ 3,892,248	\$ 4,000,361	\$ 108,113
State sources	25,695,358	28,271,356	28,598,098	326,742
Federal sources	702,870	3,192,947	2,597,832	(595,115)
Interdistrict sources	2,514,630	2,627,854	2,660,319	32,465
Total revenue	33,433,048	37,984,405	37,856,610	(127,795)
Expenditures				
Current:				
Instruction:				
Basic programs	18,554,790	19,515,058	19,051,516	(463,542)
Added needs	3,343,935	3,588,531	3,380,914	(207,617)
Support services:				
Pupil	2,165,825	2,238,356	2,142,088	(96,268)
Instructional staff	1,643,916	1,972,016	1,889,151	(82,865)
General administration	841,040	920,265	867,258	(53,007)
School administration	2,101,439	2,194,548	2,169,401	(25,147)
Business	483,829	515,703	458,091	(57,612)
Operations and maintenance	2,481,266	3,232,234	3,198,079	(34,155)
Pupil transportation services	1,198,928	1,185,162	1,012,107	(173,055)
Technology	592,848	861,550	1,065,030	203,480
Athletics	758,932	808,642	762,580	(46,062)
Community services	428,021	623,215	544,534	(78,681)
Building improvement services	-	15,321	16,162	841
Debt service:				
Principal	32,875	22,725	25,225	2,500
Interest	5,964	2,754	2,988	234
Total expenditures	34,633,608	37,696,080	36,585,124	(1,110,956)
Excess of Revenue (Under) Over Expenditures	(1,200,560)	288,325	1,271,486	983,161
Other Financing Sources				
Proceeds from sale of capital assets	-	-	1,200	1,200
Transfers in	305,000	305,132	311,132	6,000
Total other financing sources	305,000	305,132	312,332	7,200
Net Change in Fund Balance	(895,560)	593,457	1,583,818	990,361
Fund Balance - Beginning of year (as restated)	4,517,048	4,517,048	4,517,048	-
Fund Balance - End of year	\$ 3,621,488	\$ 5,110,505	\$ 6,100,866	\$ 990,361

Mason Public Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

Last Seven Plan Years Plan Years Ended September 30

	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.20830 %	0.20286 %	0.19618 %	0.19105 %	0.18769 %	0.19170 %	0.18450 %
School District's proportionate share of the net pension liability	\$71,552,674	\$67,180,007	\$58,975,472	\$49,508,109	\$46,825,932	\$46,821,482	\$40,639,546
School District's covered payroll	\$18,564,217	\$17,896,957	\$16,918,230	\$16,166,179	\$15,682,450	\$15,847,097	\$15,570,091
School District's proportionate share of the net pension liability as a percentage of its covered payroll	385.43 %	375.37 %	348.59 %	306.24 %	298.59 %	295.46 %	261.01 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.94 %	63.01 %	62.92 %	66.15 %

Mason Public Schools

Required Supplemental Information
Schedule of the School District's Proportionate Share of the Net OPEB
Liability
Michigan Public School Employees' Retirement System

	Last Four Plan Years			
	Plan Years Ended September 30			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.20934 %	0.20467 %	0.19866 %	0.19016 %
School District's proportionate share of the net OPEB liability	\$ 11,214,878	\$ 14,690,766	\$ 15,791,261	\$ 16,839,924
School District's covered payroll	\$ 18,564,217	\$ 17,896,957	\$ 16,918,230	\$ 16,166,179
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.41 %	82.09 %	93.34 %	104.17 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

Mason Public Schools

Required Supplemental Information
 Schedule of Pension Contributions
 Michigan Public School Employees' Retirement System

**Last Seven Fiscal Years
 Years Ended June 30**

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 6,322,447	\$ 5,788,997	\$ 5,376,929	\$ 4,927,161	\$ 4,599,703	\$ 4,362,886	\$ 3,599,196
Contributions in relation to the statutorily required contribution	6,322,447	5,788,997	5,376,929	4,927,161	4,599,703	4,362,886	3,599,196
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$18,459,659	\$18,652,070	\$17,659,708	\$16,264,282	\$16,580,004	\$15,470,271	\$16,367,965
Contributions as a Percentage of Covered Payroll	34.25 %	31.04 %	30.45 %	30.29 %	27.74 %	28.20 %	21.99 %

Mason Public Schools

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

	Last Four Fiscal Years Years Ended June 30			
	2021	2020	2019	2018
Statutorily required contribution	\$ 1,536,167	\$ 1,498,806	\$ 1,387,174	\$ 1,174,724
Contributions in relation to the statutorily required contribution	<u>1,536,167</u>	<u>1,498,806</u>	<u>1,387,174</u>	<u>1,174,724</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 18,459,659	\$ 18,652,070	\$ 17,659,708	\$ 16,264,282
Contributions as a Percentage of Covered Payroll	8.32 %	8.04 %	7.86 %	7.22 %

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of benefit assumptions in for each of the reported plan years ended September 30 except for the following:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to the actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2018.

Other Supplemental Information

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2021

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total
	Food Service Fund	Student Activities Fund	2012 Refunding Bonds Fund	2018 Building and Site Bonds Fund	Sinking Fund	2018 Building and Site Capital Projects Fund	
Assets							
Cash and investments	\$ 307,376	\$ 346,382	\$ -	\$ -	\$ -	\$ -	\$ 653,758
Receivables:							
Other receivables	-	-	-	-	45,000	-	45,000
Due from other governments	88,152	-	-	-	-	-	88,152
Due from other funds	58,723	-	-	-	-	-	58,723
Inventory	27,964	-	-	-	-	-	27,964
Restricted assets	-	-	628,746	1,302,610	499,981	-	2,431,337
Total assets	\$ 482,215	\$ 346,382	\$ 628,746	\$ 1,302,610	\$ 544,981	\$ -	\$ 3,304,934
Liabilities							
Accounts payable	\$ 108	\$ 4,561	\$ -	\$ -	\$ 205,575	\$ -	\$ 210,244
Due to other funds	-	3,936	-	-	-	-	3,936
Accrued liabilities and other	11,756	2,995	-	-	-	-	14,751
Unearned revenue	35,233	-	-	-	-	-	35,233
Total liabilities	47,097	11,492	-	-	205,575	-	264,164
Fund Balances							
Nonspendable:							
Inventory	27,964	-	-	-	-	-	27,964
Nonexpendable - Rayner Bond	-	35,000	-	-	-	-	35,000
Restricted:							
Debt service	-	-	628,746	1,302,610	-	-	1,931,356
Capital projects	-	-	-	-	339,406	-	339,406
Food service	407,154	-	-	-	-	-	407,154
Committed:							
Student activities	-	299,890	-	-	-	-	299,890
Total fund balances	435,118	334,890	628,746	1,302,610	339,406	-	3,040,770
Total liabilities and fund balances	\$ 482,215	\$ 346,382	\$ 628,746	\$ 1,302,610	\$ 544,981	\$ -	\$ 3,304,934

Mason Public Schools

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total
	Food Service Fund	Student Activities Fund	2012 Refunding Bonds Fund	2018 Building and Site Bonds Fund	Sinking Fund	2018 Building and Site Capital Projects Fund	
Revenue							
Local sources	\$ 2,551	\$ 255,796	\$ 2,174,977	\$ 2,161,608	\$ 766,346	\$ 11,627	\$ 5,372,905
State sources	165,875	-	91,983	91,337	-	-	349,195
Federal sources	1,400,005	-	-	-	-	-	1,400,005
Interdistrict sources	63,530	-	-	-	-	-	63,530
Total revenue	1,631,961	255,796	2,266,960	2,252,945	766,346	11,627	7,185,635
Expenditures							
Current:							
Support services	-	250,994	-	-	3,957	4,431	259,382
Food services	1,328,481	-	-	-	-	-	1,328,481
Debt service:							
Principal	-	-	2,000,000	885,000	-	-	2,885,000
Interest	-	-	166,900	1,267,994	-	-	1,434,894
Other debt costs	-	-	250	500	-	-	750
Capital outlay	-	-	-	-	1,375,834	3,768,825	5,144,659
Total expenditures	1,328,481	250,994	2,167,150	2,153,494	1,379,791	3,773,256	11,053,166
Excess of Revenue Over (Under) Expenditures	303,480	4,802	99,810	99,451	(613,445)	(3,761,629)	(3,867,531)
Other Financing Uses - Transfers out	(50,000)	-	-	-	-	-	(50,000)
Net Change in Fund Balances	253,480	4,802	99,810	99,451	(613,445)	(3,761,629)	(3,917,531)
Fund Balances - Beginning of year (restated)	181,638	330,088	528,936	1,203,159	952,851	3,761,629	6,958,301
Fund Balances - End of year	\$ 435,118	\$ 334,890	\$ 628,746	\$ 1,302,610	\$ 339,406	\$ -	\$ 3,040,770

**Other Supplemental Information
Schedule of Bonded Indebtedness**

June 30, 2021

Years Ending June 30	2012 Refunding Bonds Principal	2018 Building and Site Bonds Principal	2021 Building and Site Bonds Principal	Total
2022	\$ 740,000	\$ 790,000	\$ 1,100,000	\$ 2,630,000
2023	740,000	790,000	1,160,000	2,690,000
2024	750,000	390,000	735,000	1,875,000
2025	-	1,110,000	700,000	1,810,000
2026	-	1,140,000	610,000	1,750,000
2027	-	1,180,000	625,000	1,805,000
2028	-	1,205,000	665,000	1,870,000
2029	-	1,265,000	665,000	1,930,000
2030	-	1,325,000	670,000	1,995,000
2031	-	1,385,000	690,000	2,075,000
2032	-	1,445,000	700,000	2,145,000
2033	-	1,500,000	725,000	2,225,000
2034	-	1,550,000	750,000	2,300,000
2035	-	1,600,000	770,000	2,370,000
2036	-	1,650,000	790,000	2,440,000
2037	-	1,700,000	815,000	2,515,000
2038	-	1,755,000	835,000	2,590,000
2039	-	1,810,000	855,000	2,665,000
2040	-	1,870,000	875,000	2,745,000
2041	-	1,935,000	895,000	2,830,000
2042	-	2,000,000	920,000	2,920,000
2043	-	745,000	560,000	1,305,000
2044	-	100,000	370,000	470,000
2045	-	100,000	195,000	295,000
2046	-	100,000	200,000	300,000
2047	-	100,000	95,000	195,000
Total remaining payments	\$ 2,230,000	\$ 30,540,000	\$ 17,970,000	\$ 50,740,000
Principal payments due	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	3.00%	3.25 - 5.00%	2.00 - 5.00%	
Original issue	\$ 8,230,000	\$ 32,515,000	\$ 17,970,000	\$ 58,715,000