

Mid Peninsula School District

**Audited Financial Statements and
Additional Supplemental Information**

For the Year Ended

June 30, 2019

Mid Peninsula School District
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To the Board of Education
Mid Peninsula School District
Rock, Michigan

INDEPENDENT AUDITOR'S REPORT

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mid Peninsula School District, Rock, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the School District 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 of 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 judgement, including the assessment of the risks of material misstatement of the financial statements which, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the School District 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 School District 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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINION

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 Mid Peninsula School District as of June 30, 2019, and the respective changes in financial position where applicable, thereof for the year then ended, accordance with accounting principles generally accepted in the United States of America.

OTHER – MATTERS

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis, the major fund budgetary comparison schedule and the pension and OPEB system schedules of funding progress and employer contributions 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 an opinion on the financial statements that collectively comprise Mid Peninsula School District, Rock, Michigan, 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 GOVERNMENTAL AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report letter dated October 21, 2019, on our consideration of the School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Mid Peninsula School District's internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mid Peninsula School District internal control over financial reporting and compliance.



Johnson & Rennie, LLC
Menominee, Michigan
October 21, 2019

Mid Peninsula School District
Management's Discussion and Analysis
Year Ended June 30, 2019

Management's Discussion and Analysis

This section of the Mid Peninsula School District's annual financial report presents our discussion and analysis of the School District's performance during the year ended June 30, 2019. It is to be read in conjunction with the School District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements. These statements are organized so the reader can understand the Mid Peninsula School District financially as a whole. The District-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 long-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 as well as what remains for future spending. The fund Financial Statements look at the School District's operations in more detail than in the government-wide financial statements by providing information about the School District's most significant fund, the General Fund with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about the activities for which the School District acts solely as an agent for the benefit of students and parents.

Financial Section

Basic Financial Statements

- District-wide Financial Statements

Fund Financial Statements

- Balance Sheet – Governmental Funds
- Statement of Revenue, Expenditures
- Statement of Fiduciary Net Position
- Notes to Financial Statements

Required Supplemental Information

- Budgetary Comparison Schedule
- Schedule of Contributions
- Schedule of Proportionate Share of the Net Pension Liability

Other Supplemental Information

- General Fund Schedule of Revenue
- General Fund Schedule of Expenditures

The School District as a Whole

The following summarized the net position at fiscal year ended June 30, 2019 and June 30, 2018.

	Governmental Activities	
	2019	2018
Assets		
Current assets	\$ 1,093,689	\$ 1,136,631
Capital assets	1,984,814	2,176,486
Total Assets	<u>3,078,503</u>	<u>3,313,117</u>
Total Deferred Outflow of Resources		
Deferred Outflow of Resources - Pensions	888,212	613,617
Deferred Outflow of Resources - OPEB	76,380	9,722
Total Assets and Deferred Outflow of Resources		
Total Assets and Deferred Outflow of Resources	<u>4,043,095</u>	<u>3,936,456</u>
Liabilities		
Current liabilities	1,025,495	1,083,325
Long-term liabilities	3,278,857	3,882,407
Total Liabilities	<u>4,304,352</u>	<u>4,965,732</u>
Deferred Inflow of Resources		
Pensions	685,234	376,990
OPEB	352,999	31,439
Total Deferred Inflow of Resources	<u>1,038,233</u>	<u>408,429</u>
Total Liabilities and Inflow of Resources	<u>5,342,585</u>	<u>5,374,161</u>
Net Position		
Net investment in property and equipment	1,753,681	1,702,176
Restricted	61,905	93,379
Unrestricted (Deficit)	(3,115,076)	(3,233,260)
Total Net Position (Deficit)	<u>\$ (1,299,490)</u>	<u>\$ (1,437,705)</u>

The above analysis focuses on the net position. The School District's net position was a deficit of \$1,299,490 as of June 30, 2019. Capital assets, net of related debt, totaled \$1,753,681. This compares to 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 of \$61,905 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 \$3,115,076 deficit represents the accumulated results of all past year's operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Management's Discussion and Analysis (continued)

The results of this years operations for Mid Peninsula School District as a whole are reported in the statement of activities which show the changes in net position for fiscal year 2019 and 2018.

	Government Activities	
	2019	2018
Program Revenue		
Charges for services	\$ 34,696	\$ 38,214
Operating grants and contributions	455,898	459,967
Total Program Revenue	<u>490,594</u>	<u>498,181</u>
General Revenue		
Property taxes levied for general operations and CFR	635,530	638,159
Property taxes levied for debt service and CFR	213,715	370,523
State foundation allowance and stabilization	705,667	664,142
Other school districts	-	-
Other	121,986	30,229
Total General Revenue	<u>1,676,898</u>	<u>1,703,053</u>
Total Revenue	<u>2,167,492</u>	<u>2,201,234</u>
Expenses		
Instruction	916,747	873,331
Support services	694,037	653,542
Depreciation - unallocated	191,672	196,273
Interest on debt	17,552	29,587
Athletics	76,143	72,470
Food services	133,126	130,638
Total Expenses	<u>2,029,277</u>	<u>1,955,841</u>
(Decrease) Increase in Net Position	<u>\$ 138,215</u>	<u>\$ 245,393</u>

As indicated above, net position increased by \$138,215. This increase relates directly to the operations of the District during the year.

Sources of Revenues

Local sources of revenues totaled \$1,005,869 and include revenues to the General Fund of \$786,541.

State sources of revenues total \$1,011,330 and include revenues to the General Fund of \$1,006,014 and School Lunch Fund of \$5,316. State sources of revenue make up 46% of General Fund Revenues. This ties the District directly to the States overall economy.

Federal sources of revenues total \$150,293 and include revenues to the General Fund of \$52,241 and School Lunch Fund of \$98,052.

Management's Discussion and Analysis (continued)

Expenses

Government-wide expenses include instruction of \$916,747, Support Services of \$903,306 and Debt Services of \$17,552. School Lunch Fund and Athletic Fund expenses are included in Support Services. Unallocated depreciation was \$191,672 for the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019 the District had \$5,425,058 invested in a broad range of capital assets, including land, building, furniture and equipment.

	<u>2019</u>	<u>2018</u>
Assets		
Land	\$ 2,000	\$ 2,000
Land improvements	856,076	856,076
Buildings and land improvements	3,977,117	3,977,117
Vehicles	337,891	475,817
Machinery and equipment	<u>251,974</u>	<u>324,304</u>
Total Assets	<u>5,425,058</u>	<u>5,635,314</u>
Less Accumulated Depreciation	<u>(3,440,244)</u>	<u>(3,458,828)</u>
Net Total	<u>\$ 1,984,814</u>	<u>\$ 2,176,486</u>

There were no capital asset purchases last year. Depreciation expense for the year is \$191,672.

Debt

At the end of this year the District has \$225,000 in General Obligation Bonds outstanding. This is a decrease of \$225,000 which is the result of bond payments made during the year. The final payment will be made in 2020.

Economic Factors and Next Year's Budget Rates

The Board of Education and administration consider many factors when setting the School District's 2019 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of unrestricted foundation allowance.

The 2019 budget was adopted in June 2018, based on an estimate of students that will be enrolled in September 2018. As a result, District funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related pupil finding is validated, state law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

Original vs. Revised Budgets

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget three times during the School year. The fiscal year 2018-2019, the budget was revised in December, April and June.

General Fund Revenues

Total Revenues - June revision	\$ 1,822,769
Total Revenues - original budget	<u>(1,644,658)</u>
Difference	<u>\$ 178,111</u>

Increase in Revenue Budget

The Districts actual fund revenue was \$22,027 more than the revised budget.

General Fund Expenditures

Total Expenditures - June revision	\$ 1,833,656
Total Expenditures - original budget	<u>(1,742,094)</u>
Difference	<u>\$ 91,562</u>

Increase in Expenditures Budget

The District's actual general fund expenditures were \$63,542 less than the revised budget.

Property Taxes

A significant portion of local revenue is provided from property taxes and CFR for the General Fund and Debt Retirement Fund. Tax revenue totaled \$849,245. This amount is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and voter approved 8.1 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Unrestricted State Aid Foundation Allowance

The most significant portion of funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$7,871 per student for the 2018-2019 fiscal year. The number of students to be funded is calculated by student enrollment blended at 80% of current year September count and 20% of prior year February count. The overall funding is then reduced by the District's non-homestead tax levy based on 18 mills.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it received. If you have any questions about this report or need additional information, contact the Business Office at Mid Peninsula Area School, 5055 St. Nicholas 31st Road, Rock, MI 49880.

Basic Financial Statements

Mid Peninsula School District
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 771,854
Due from other Governmental units	316,090
Due from local sources	5,745
Total Current Assets	1,093,689
Non-Current Assets	
Capital assets	5,425,058
Less: accumulated depreciation	(3,440,244)
Total Non-Current Assets	1,984,814
Total Deferred Outflow of Resources	
Deferred Outflow of Resources - Pension	888,212
Deferred Outflow of Resources - OPEB	76,380
Total Deferred Outflow of Resources	964,592
Total Assets and Deferred Outflow	4,043,095
LIABILITIES	
Current Liabilities	
Accounts payable	46,778
Accrued salaries and benefits	47,584
Accrued interest	1,620
Notes payable	700,000
Loan payable, due within one year	4,513
Bonds payable, due within one year	225,000
Total Current Liabilities	1,025,495
Non-Current Liabilities	
Net pension liability	2,671,821
Net OPEB liability	607,036
Total Non-Current Liabilities	3,278,857
Total Liabilities	4,304,352
Deferred Inflow of Resources	
Pension	601,042
OPEB	352,999
State aide funding for pension	84,192
Total Deferred Inflow of Resources	1,038,233
Net Position	
Net investment in capital assets	1,753,681
Restricted for debt service	61,905
Unrestricted	(3,115,076)
Total Net Position	\$ (1,299,490)

Mid Peninsula School District
Statement Activities
June 30, 2019

	Program Revenue		Governmental Activities	
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
GOVERNMENTAL FUNCTIONS				
Current:				
Instruction	\$ (916,747)	\$ -	\$ 352,530	\$ (564,217)
Supporting services	(694,037)	10,974	-	(683,063)
Food services	(133,126)	5,198	103,368	(24,560)
Athletics	(76,143)	18,524	-	(57,619)
Interest on long-term debt	(17,552)	-	-	(17,552)
Depreciation (unallocated)	(191,672)	-	-	(191,672)
Total Governmental Functions	\$ (2,029,277)	\$ 34,696	\$ 455,898	(1,538,683)
GENERAL REVENUE				
Property Taxes:				
General purposes				635,530
Debt services				213,715
State aid not restricted for specific purpose				705,667
Interest and investment earnings				9,729
Other				112,257
Total General Revenue				1,676,898
Change in Net Position				138,215
Net Position - Beginning of Year				(1,437,705)
Net Position - End of Year				\$ (1,299,490)

Mid Peninsula School District
Balance Sheet
Governmental Funds
June 30, 2019

	Major		Non-Major	Total
	General	Debt Service Fund	Special Revenue Food Service	
Assets				
Cash and investments	\$ 709,520	\$ 62,091	\$ 243	\$ 771,854
Accounts receivable	3,500	-	-	3,500
Due from other Governmental units	315,109	-	981	316,090
Due from other funds	-	-	9,637	9,637
Total Assets	\$ 1,028,129	\$ 62,091	\$ 10,861	\$ 1,101,081
Liabilities, Deferred Inflow of Resources and Fund Equity				
Liabilities				
Accounts payable	\$ 42,126	\$ -	\$ 2,407	\$ 44,533
Due to other funds	9,451	186	-	9,637
Accrued salaries and benefits	40,307	-	7,277	47,584
Notes payable	700,000	-	-	700,000
Total Liabilities	791,884	186	9,684	801,754
Deferred Inflow of Resources				
Unavailable Revenue				
Federal and State Grants	-	-	-	-
Fund Balance				
Non-spendable prepaids	-	-	-	-
Restricted for debt retirement	-	61,905	-	61,905
Restricted for hot lunch	-	-	1,177	1,177
Restricted for Athletics	699	-	-	699
Committed to early retirement incentive	-	-	-	-
Unassigned	235,546	-	-	235,546
Total Fund Balance	236,245	61,905	1,177	299,327
Total Deferred Inflow of Resources and Fund Equity	\$ 1,028,129	\$ 62,091	\$ 10,861	\$ 1,101,081

Mid Peninsula School District
 Reconciliation of the Governmental Funds
 Balance Sheet with the Statement of Net Position
 June 30, 2019

Total Governmental Fund Balance \$ 299,327

Amounts Reported for Governmental Activities in the Statement of Net Position Because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The Cost of Capital Assets are:	\$ 5,425,058	
Accumulated Depreciation is:	<u>(3,440,244)</u>	1,984,814

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Bonds Payable		(225,000)
Note Payable		(4,513)

Accrued interest is not included as a liability in governmental funds		(1,620)
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Net pension obligations are not due and payable in the current period and therefore, are not reported in the funds

Net Pension Liability		(2,671,821)
Net OPEB Liability		(607,036)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred Outflows of Resources Related to Pensions		888,212
Deferred Outflows of Resources Related to OPEB		76,380
Deferred Inflows of Resources Related to Pensions		(601,042)
Deferred Inflows of Resources Related to OPEB		(352,999)
Deferred inflows from state aide funding		<u>(84,192)</u>

Net Position of Governmental Activities		<u>\$ (1,299,490)</u>
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Mid Peninsula School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended
June 30, 2019

	Major		Non-Major	Total
	General Fund	Debt Service Fund	Special Revenue Food Service	
REVENUES				
Local sources	\$ 786,541	\$ 214,130	\$ 5,198	\$ 1,005,869
State sources	1,006,014	-	5,316	1,011,330
Federal sources	52,241	-	98,052	150,293
Other school districts	-	-	-	-
Total Revenues	<u>1,844,796</u>	<u>214,130</u>	<u>108,566</u>	<u>2,167,492</u>
EXPENDITURES				
Current:				
Instruction	984,947	-	-	984,947
Supporting service	787,412	-	-	787,412
Food Services	-	-	133,126	133,126
Debt service:				
Principal retirement	16,610	225,000	-	241,610
Interest	219	19,300	-	19,519
Capital outlay	-	-	-	-
Total Expenditures	<u>1,789,188</u>	<u>244,300</u>	<u>133,126</u>	<u>2,166,614</u>
Excess of Revenues - Expenditures	55,608	(30,170)	(24,560)	878
OTHER FINANCE SOURCES (USES)				
Operating transfers in	-	-	25,000	25,000
Operating transfers out	(25,000)	-	-	(25,000)
Total Other Finances Sources (Uses)	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Excess Revenues and Other Resources Over (Under) Expenditures & Other Uses	30,608	(30,170)	440	878
Fund Balance July 1	205,637	92,075	737	298,449
Fund Balance June 30	<u>\$ 236,245</u>	<u>\$ 61,905</u>	<u>\$ 1,177</u>	<u>\$ 299,327</u>

Mid Peninsula School District
 Reconciliation of the Statement of Revenue, Expenditures
 and Change in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2019

Net Changes in Fund Balances - Total Governmental Funds **\$ 878**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental Funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	\$ (191,672)	
Capital Outlay	<u>-</u>	(191,672)

Accrued interest is recorded in the statement of activities when incurred. It is not reported in the Governmental Funds until paid.		1,567
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Repayments of bond principal are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

Loan Repayment - Bus		16,610
Bond Payable - Building and site		225,000

In the statement of activities, operating expenses for pension related items are measured by amounts earned during the year while governmental funds report expenditures as amounts paid. This year the amount paid for pension related items was more than the amount earned.		17,804
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In the statement of activities, operating expenses for OPEB related items are measured by amounts earned during the year while governmental funds report expenditures as amounts paid. The amount paid for OPEB related items was less than the amount earned.		<u>68,028</u>
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Change in Net Position as Governmental Activities		<u>\$ 138,215</u>
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Mid Peninsula School District
Statement of Fiduciary Net Position
Year Ended June 30, 2019

Statement of Fiduciary Net Position

	Private-Purpose Trust	Agency Fund	Total
ASSETS			
Cash	\$ 320,568	\$ 74,588	\$ 395,156
Total Assets	\$ 320,568	\$ 74,588	\$ 395,156
LIABILITIES			
Due to student groups	\$ -	\$ 74,588	\$ 74,588
Total Liabilities	-	74,588	74,588
NET POSITION			
Reserve for scholarships	320,568	-	320,568
Total Liabilities and Net Position	\$ 320,568	\$ 74,588	\$ 395,156

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund

REVENUES	
Investment income	\$ 161
Investment (loss) in foundation investments	11,825
Total Revenues	11,986
EXPENDITURES	
Scholarships	(28,400)
Total Expenditures	(28,400)
Excess Revenue Over (Under) Expenditures	(16,414)
Net Position	
Beginning Balance July 1	336,982
Ending Balance June 30	\$ 320,568

Notes to Financial Statements

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mid Peninsula School District have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental funds:

General Fund - is the general operating fund of the School District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - is used to account for the payment of principal and interest on the school building and site bonds payable.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
Basis of Presentation (continued)

All other governmental funds are considered to be non-major. They include:

Special Revenue Fund - is used by the School District to account for food services.

Fiduciary Funds

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund - is used to account for assets held by the School District in its capacity as a receiving and paying agent for the several student body activity groups.

Basis of Accounting

District-Wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-Based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
Basis of Accounting (continued)

Fund-Based Financial Statements (continued)

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Baldwin, Maple Ridge, Ewing and Turin. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the Counties of Marquette and Delta.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2018 are state appropriations for the year ended June 30, 2019, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks and mutual funds composed of investments outlined above.

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Service Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Building and additions	50 years
Furniture, fixtures and other equipment	10 years
School buses and vehicles	5 - 15 years

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net position.

Deferred Outflows/Inflows of Resources

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

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

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. Contributions 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 Investments are reported at fair value.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net position. Amounts are recorded at face value along with any accrued interest to June 30, 2019.

Investment in Capital Assets

This is a portion of the net position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

In the fund-based financial statements the restricted fund balances represent the amount set aside for constraints placed on them by external creditors or laws of other Governments. The committed fund balances represent the internal reservations by the School District's Board.

The non-spendable balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

NOTE B

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2019.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School Districts actual revenues will deviate from those budgeted or if the School District's expenditures will exceed the amount appropriated. During the year ended June 30, 2019, the School District monitored and amended its budget and was in substantial compliance with the Act.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2019.

NOTE C CASH AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net position as "Cash and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2019, cash and investments on deposit total is as follows:

<u>Investments</u>	
Financial Institutions	\$ 375,820
Municipal Fund	523,464
Foundations - Agency Funds	313,752
	<u>\$ 1,213,036</u>

The amount covered by depository insurance of \$122,473 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. An amount of \$523,464 was deposited in some uninsured municipal funds. The municipal investment funds are not subject to credit risk categorization. The School District places its deposits and investments in some uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

The School District investments at June 30, 2019 consisted of US Treasury Bonds. This investment amounted to \$1,198 in the Private-Purpose Trust Fund.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance 6/30/18	Additions	Disposals and Adjustments	Balance 6/30/19
Assets not being Depr:				
Land	\$ 2,000	\$ -	\$ -	2,000
Capital Assets being Depr:				
Bldg & bldg improvement	3,977,117	-	-	3,977,117
Land improvement	856,076	-	-	856,076
Vehicles	475,817	-	137,926	337,891
Equipment	324,304	-	72,330	251,974
Total	<u>5,635,314</u>	<u>-</u>	<u>210,256</u>	<u>5,425,058</u>
Accumulated Depreciation:				
Bldg & bldg improvement	2,249,876	116,754	-	2,366,630
Land improvement	615,674	41,788	-	657,462
Vehicles	374,835	23,063	137,926	259,972
Equipment	218,443	10,067	72,330	156,180
Total	<u>3,458,828</u>	<u>191,672</u>	<u>210,256</u>	<u>3,440,244</u>
Net Capital Assets	<u>\$ 2,176,486</u>	<u>\$ (191,672)</u>	<u>\$ -</u>	<u>\$ 1,984,814</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE E LONG-TERM DEBT

Changes in Long-Term Debt are summarized as follows:

	Balance 6/30/18	Additions	Deductions	Balance 6/30/19
Notes payable for:				
School bldg & site bonds	\$ 450,000	\$ -	\$ 225,000	\$ 225,000
Compensated absences	-	-	-	-
Note payable	21,123	-	16,610	4,513
School bond loan fund	-	-	-	-
	<u>\$ 471,123</u>	<u>\$ -</u>	<u>\$ 241,610</u>	<u>\$ 229,513</u>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE E **LONG-TERM DEBT (continued)**

School Building and Site Bonds

On July 24, 2008, the School District issued \$1,935,000 of School Building and Site Bonds for renovation of the School. A summary of annual principal and interest requirements to maturity with interest paid November 1 and interest and principal paid May 1 follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Amount</u>		<u>Total</u>
			<u>1-Nov</u>	<u>1-May</u>	
2020	4.30%	<u>\$ 225,000</u>	<u>\$ 4,837</u>	<u>\$ 4,837</u>	<u>\$ 234,674</u>

Note Payable Bus

The School District has a note payable to First Bank for the purchase of a bus. The loan was originally taken out for \$80,896 and has a 1.49% interest rate.

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$ 4,513</u>	<u>\$ 5</u>	<u>\$ 4,518</u>

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick pay upon termination of their employment. There were no eligible employees at June 30, 2019.

Aggregate Amounts

The aggregate amounts due on long-term debt excluding employee benefits for following years as follows:

<u>Year Ending June 30</u>	
2020	<u>\$ 229,294</u>

NOTE F GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN

PLAN DESCRIPTION

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

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period for the 2017 fiscal year.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE F GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	17.89%
Member Investment Plan	3.0-7.0%	17.89%
Pension Plus	3.0-6.4%	16.61%
Pension Plus 2	3.0-6.4%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from Mid Peninsula School District were \$242,015 for the year ended September 30, 2018.

PENSION, LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2019, Mid Peninsula School District reported a liability of \$2,671,821 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. Mid Peninsula School District's proportion of the net pension liability was determined by dividing each employers statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, Mid Peninsula School District proportion was .00889 percent, which was a decrease of .00149 percent from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, Mid Peninsula School District's recognized pension expense of \$250,743. At June 30, 2019, Mid Peninsula School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 12,398	\$ 19,416
Changes of assumptions	618,792	-
Net difference between projected and actual earnings on pension plan investments	-	182,685
Changes in proportion and differences between Mid Peninsula Public Schools contributions and proportionate share of contributions	30,279	398,941
Mid Peninsula Public Schools contributions subsequent to the measurement date	226,743	-
	<u>\$ 888,212</u>	<u>\$ 601,042</u>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE F GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

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

Plan Year	Amount
2019	\$ 80,134
2020	\$ 6,104
2021	\$ (15,636)
2022	\$ (10,175)

Actuarial Assumptions

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

Additional information as of the latest actual valuation as follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2017
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	
-MIP and Basic Plans	7.05%
-Pension Plan Plus	7.00%
-Pension Plus 2	6.00%
Projected Salary Increases	2.75-11.55%, including wage inflation at 2.75%
Cost of Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE F GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Summary of Actuarial Assumptions (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304 for non-university employers 1.0554 for university employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.0%	5.7%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	5.0%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return pools	15.5%	5.2%
Short-Term Investment Pools	2.0%	0.0%
TOTAL	100.0%	

* Long-term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan provided through non-university employers only) This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE F GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Discount Rate (continued)

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

Sensitivity of Mid Peninsula School District Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Mid Peninsula School District proportionate share of the net pension liability, calculated using a discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what Mid Peninsula School District proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.05% / 6.0%/5.0%</u>	<u>7.05% / 7.0%/6.0%</u>	<u>8.05% / 8.0%/7.0%</u>
\$3,507,895	\$2,671,821	\$1,977,180

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 Plans. University employers provide only the Basic and MIP Plans.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. Available at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At June 30, 2019, the District reported no payable amount of contributions to the pension plan required for the year ended June 30, 2019.

NOTE G - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN

Plan Description

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

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Plan Description (continued)

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Contributions (continued)

Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 19-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund	0.00%	6.13%

Required contributions to the OPEB plan from Mid Peninsula School District were \$49,569 for the year ended September 30, 2018.

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

At June 30, 2019, Mid Peninsula School District reported a liability of \$607,036 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. Mid Peninsula School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, Mid Peninsula School District's proportion was .00764 percent which was a decrease of .03737 percent from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, Mid Peninsula School District recognized OPEB expense of (\$17,181). At June 30, 2019, Mid Peninsula School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 112,985
Changes of assumptions	64,285	-
Net difference between projected and actual earnings on pension plan investments	-	23,330
Changes in proportion and differences between employer contributions and proportionate share of contributions	420	215,984
Employer contributions subsequent to the measurement date	11,675	-
	<u>\$ 76,380</u>	<u>\$ 352,299</u>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (to Be Recognized in Future OPEB Expenses)

<u>Plan Year</u>	<u>Amount</u>
2019	\$ (64,601)
2020	\$ (64,601)
2021	\$ (64,601)
2022	\$ (59,904)
2023	\$ (33,887)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%.
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Other Assumptions: Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan. Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death. Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers or 1.3472 for university employers].*
- *Recognition period for assets in years is 5.0000.*
- *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return pools	15.5%	5.0%
Short-Term Investment Pools	2.0%	0.0%
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Mid Peninsula School District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents Mid Peninsula School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what Mid Peninsula School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1-percentage-point higher:

1% Decrease	Current Discount Rate	1% Increase
<u>6.5%</u>	<u>7.15%</u>	<u>8.15%</u>
\$728,734	\$607,036	\$504,673

Sensitivity of Mid Peninsula School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents Mid Peninsula School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what Mid Peninsula School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Trend Rate	1% Increase
<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
\$499,280	\$607,036	\$730,654

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERSCAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Mid Peninsula School District reported no payables to the defined benefit OPEB plan as of June 30, 2019.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE H DEFERRED OUTFLOW (INFLOW) OF RESOURCES

The School District's deferred outflow of resources at June 30, 2019, consisted of:

	Governmental Funds	District-wide Funds
Pension	\$ -	\$ 888,212
OPEB	-	76,380
	\$ -	\$ 964,592

The School District's deferred inflow of resources at June 30, 2019, consisted of:

	Governmental Funds	District-wide Funds
Pension	\$ -	\$ 601,042
State aide funding for pensions	-	84,192
OPEB	-	352,999
	\$ -	\$ 1,038,233

NOTE I INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

The Interfund receivables and payables during the year ending June 30, 2019 were as follows:

	Receivable	Payable
Food services	\$ 9,637	\$ -
General	-	9,451
Debt retirement	-	186
	\$ 9,637	\$ 9,637

These receivables and payables were caused by monies collected that were not transferred to the proper accounts until after year end.

NOTE J INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

The Interfund transfers during the year ending June 30, 2019 were as follows:

	Transfers Out	Transfers In
General	\$ 25,000	\$ -
Hot Lunch	-	25,000
	\$ 25,000	\$ 25,000

The purpose of the transfer was required to cover the excess Hot Lunch costs.

NOTE K RISK MANAGEMENT

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE K RISK MANAGEMENT (continued)

Management estimates that the amount or potential claims against the School District as of June 30, 2019 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L OPERATING LEASES

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$2,724 and have no further amounts due.

NOTE M FUND BALANCES

Portions of the fund balances have been classified to include the District's current plans for accumulating funds for use in subsequent periods as follows:

<u>Non-Spendable</u>		
Inventory	\$	-
Prepays		-
	\$	-
 <u>Committed</u>		
<i>General:</i>		
Compensated absences	\$	-
	\$	-
 <u>Restricted</u>		
Debt service	\$	61,905
Hot lunch		1,177
Athletics		699
	\$	63,781

NOTE N UNEMPLOYMENT COMPENSATION

Since January 1, 1978, the School District has been a reimbursing employer in accordance with Section 13:(1) of the Michigan Employment Security Act. A reimbursing employer is one who pays to the Michigan Employment Security Commission an amount equal to the full amount of regular benefits, extended benefits and training benefits paid by the Commission that are attributable to service in the Federal Government.

NOTE O STUDENT ACTIVITIES FUND

The Student Activities Fund, although being under the general supervision of the Board of Education, is considered to be the property of the various student groups of the fund and accordingly is not the property of the School District.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2019

NOTE P SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

A \$700,000 State Aid Anticipation Note payable to First Bank Upper Michigan is payable at the rate of 1.81% and is due June 21, 2020. The detail is as follows:

	<u>Interest</u>	<u>Proceeds</u>	<u>Amount Due</u>	
State Aide Note	1.81%	\$ 700,000	\$ 700,000	
	<u>Balance</u>	<u>Additional</u>	<u>Disposal</u>	<u>Balance</u>
	<u>7/1/2018</u>	<u>\$ 700,000</u>	<u>\$ 725,000</u>	<u>6/30/2019</u>
	<u>\$725,000</u>	<u>\$ 700,000</u>	<u>\$ 725,000</u>	<u>\$700,000</u>

NOTE Q UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB 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 were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use-lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Required Supplemental Information

Mid Peninsula School District
Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Final Budget
	Original	Budget		Positive (Negative)
REVENUE				
Local sources	\$ 400,000	\$ 752,250	\$ 786,541	\$ 34,291
State sources	1,082,966	1,014,367	1,006,014	(8,353)
Federal sources	161,692	56,152	52,241	(3,911)
Total Revenue	<u>1,644,658</u>	<u>1,822,769</u>	<u>1,844,796</u>	<u>22,027</u>
EXPENDITURES				
Current:				
Instruction	935,793	1,028,918	984,947	43,971
Supporting service	806,301	804,738	787,412	17,326
Debt retirement	-	16,830	16,829	1
Capital outlay	-	-	-	-
Total Expenditures	<u>1,742,094</u>	<u>1,850,486</u>	<u>1,789,188</u>	<u>61,298</u>
Excess of Revenues- (Expenditures)	<u>(97,436)</u>	<u>(27,717)</u>	<u>55,608</u>	<u>83,325</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	(36,902)	(25,000)	11,902
Total Other Financing Sources (Uses)	<u>-</u>	<u>(36,902)</u>	<u>(25,000)</u>	<u>11,902</u>
Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses	<u>(97,436)</u>	<u>(64,619)</u>	<u>30,608</u>	<u>95,227</u>
Fund Balance Beginning of Year	<u>205,637</u>	<u>205,637</u>	<u>205,637</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 108,201</u>	<u>\$ 141,018</u>	<u>\$ 236,245</u>	<u>\$ 95,227</u>

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

	2018	2017	2016	2015
Statutory required contributions	\$ 114,522	\$ 149,237	\$ 216,039	\$ 185,797
Contributions in relation to statutory required contributions	114,522	149,237	216,039	185,797
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 639,758	\$ 873,022	\$ 911,621	\$ 921,940
Contributions as a percentage of covered employee payroll	17.90%	17.09%	23.70%	20.15%

	2023	2022	2021	2020	2019
Statutory required contributions					\$ 142,551
Contributions in relation to statutory required contributions					142,551
Contribution deficiency (excess)					\$ -
School's covered employee payroll					\$ 760,139
Contributions as a percentage of covered employee payroll					18.75%

Note Disclosures:

Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions

The employers covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68 and No. 73* as payroll on which contributions to a pension plan are based; and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of, 1.) university payroll on which contributions to the plan are based or, 2.) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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

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

	2018	2017	2016	2015	2014
Proportion of net pension liability %	.00889	.01051%	.01116%	.01120%	.01041%
Proportionate share of net pension liability	\$ 2,671,821	\$ 2,723,274	\$ 2,783,760	\$ 2,735,304	\$ 2,293,712
Covered employee payroll	\$ 648,777	\$ 850,478	\$ 932,114	\$ 911,621	\$ 921,490
Proportionate share of net pension liability as a percentage of its covered employee payroll %	411.82%	320.21%	295.65%	360.05%	248.91%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

	2023	2022	2021	2020	2019
Proportion of net pension liability %					
Proportionate share of net pension liability					
Covered employee payroll					
Proportionate share of net pension liability as a percentage of its covered employee payroll %					
Plan fiduciary net position as a percentage of total pension liability					

Note Disclosures:

The employers covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68 and No. 73* as payroll on which contributions to a pension plan are based; and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of, 1.) university payroll on which contributions to the plan are based or, 2.) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

For non-university employers (K12 districts, ISD's, charter schools/PSA's, libraries and community colleges)

For university employers

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

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

	2022	2021	2020	2019	2018
Statutory required OPEB contributions	\$ -	\$ -	\$ -	\$ 11,675	\$ 9,180
OPEB contributions in relation to statutory required contributions *	-	-	-	11,675	9,180
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll (OPEB)	\$ -	\$ -	\$ -	\$ 760,139	\$ 693,578
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	1.54%	1.32%

	2027	2026	2025	2024	2023
Statutory required OPEB contributions					
OPEB contributions in relation to statutory required contributions *					
Contribution deficiency (excess)					
School's covered payroll (OPEB)					
OPEB contributions as a percentage of covered payroll					

Note Disclosures:

Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions

The employers covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68 and No. 73* as payroll on which contributions to a pension plan are based; and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of, 1.) university payroll on which contributions to the plan are based or, 2.) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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

Mid Peninsula School Districts
Schedule of Mid Peninsula School District's OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 9/30 of each year)*

	2021	2020	2019	2018	2017
Proportion of net OPEB liability %	0	0	0	.00763%	.01050%
Proportionate share of net OPEB liability	\$ -	\$ -	\$ -	\$ 607,036	\$ 929,966
Covered employee payroll (OPEB) *	\$ -	\$ -	\$ -	\$ 648,777	\$ 850,748
Proportionate share of net OPEB liability as a percentage of its covered employee payroll %	0.00%	0.00%	0.00%	93.57%	109.31%
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	42.95%	36.39%

	2026	2025	2024	2023	2022
Proportion of net OPEB liability %					
Proportionate share of net OPEB liability					
Covered employee payroll (OPEB) *					
Proportionate share of net OPEB liability as a percentage of its covered employee payroll %					
Plan fiduciary net position as a percentage of total OPEB liability					

Note Disclosures:

The employers covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68 and No. 73* as payroll on which contributions to a pension plan are based; and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of, 1.) university payroll on which contributions to the plan are based or, 2.) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

For non-university employers (K12 districts, ISD's, charter schools/PSA's, libraries and community colleges)

For university employers

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

Other Supplemental Information

Mid Peninsula School District
 Budgetary Schedule of Revenue
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Local Sources			
Property tax levy		\$ 635,530	
Athletics		18,524	
Interest income		9,256	
Daycare		10,974	
Miscellaneous income		112,257	
Total Local Sources	<u>752,250</u>	<u>786,541</u>	<u>34,291</u>
State Sources			
State Aid - Foundation Grant		705,667	
Other State Aid			
Rate stabilization MPSERS		124,307	
Special education		8,814	
School readiness		83,743	
At Risk grant and miscellaneous		83,483	
Total State Sources	<u>1,014,367</u>	<u>1,006,014</u>	<u>(8,353)</u>
Federal Sources			
Title I		26,860	
Title II Part A		11,605	
Title IV, Part A		8,952	
Miscellaneous		4,824	
Total Federal Sources	<u>56,152</u>	<u>52,241</u>	<u>(3,911)</u>
TOTAL REVENUE	<u>\$ 1,822,769</u>	<u>\$ 1,844,796</u>	<u>\$ 22,027</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
INSTRUCTION BASIC			
Elementary			
Salaries			
Teacher		\$ 177,508	
Teacher substitute		410	
Retirement		144,364	
FICA		13,114	
Health and accident insurance		19,002	
Instructional services		3,124	
Other professional contracts		3,325	
Dues and fees		20	
Equipment repair		3,173	
Workers comp		538	
Miscellaneous expense		5,073	
Title II supplies		3,757	
Elementary supplies		4,838	
Total Elementary	<u>384,687</u>	<u>378,246</u>	<u>6,441</u>
High School			
Salaries			
Teacher		140,554	
Teacher substitute		1,267	
Health and accident insurance		38,826	
Retirement		38,685	
FICA		10,315	
Workers comp		538	
Instructional services		1,475	
Other professional contracts		7,379	
Local travel		641	
Dues and fees		6,055	
Tuition dual enrollment		80,029	
Equipment repair		3,400	
Payment to other public Schools		2,323	
Title IV supplies		1,631	
Title II supplies		3,758	
High school supplies		24,380	
Total High School	<u>372,333</u>	<u>361,256</u>	<u>11,077</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Michigan Readiness			
Salaries			
Teacher		47,655	
Retirement		12,384	
FICA		3,572	
Contracted service		326	
Supplies		453	
Parental activities		-	
Early childhood specialist		2,000	
Total Michigan Readiness	<u>80,084</u>	<u>66,390</u>	<u>13,694</u>
Total Instruction Basic	<u>837,104</u>	<u>805,892</u>	<u>31,212</u>
INSTRUCTION ADDED NEEDS			
Special Education			
Salaries			
Teacher		18,681	
Retirement		4,879	
FICA		1,183	
Health and accident insurance		9,938	
Instructional services		94	
Other professional contracts		16,172	
Total Special Education	<u>59,373</u>	<u>50,947</u>	<u>8,426</u>
At Risk			
Salaries			
Teacher		47,345	
Retirement		12,750	
FICA		3,614	
Health and accident insurance		1,708	
Other professional contracts		17,116	
Supplies and miscellaneous		950	
Total at Risk	<u>83,483</u>	<u>83,483</u>	<u>-</u>
Early Literacy			
Salaries			
Teacher aide		1,738	
Total at Risk	<u>1,738</u>	<u>1,738</u>	<u>-</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Title I Part A			
Salaries			
Teacher		\$ 17,371	
Retirement		4,546	
FICA		1,268	
Health and accident insurance		3,240	
Total Title I Part A	<u>27,633</u>	<u>26,425</u>	<u>1,208</u>
Title II Part A			
Salaries			
Teacher		3,060	
Retirement		796	
FICA		234	
Total Title II Part A	<u>4,090</u>	<u>4,090</u>	<u>-</u>
Title IV Part A			
Salaries			
Teacher		5,586	
Retirement		1,318	
FICA		417	
Total Title IV Part A	<u>8,369</u>	<u>7,321</u>	<u>1,048</u>
Small Rural Schools			
Miscellaneous		4,824	
Total Small Rural Schools	<u>4,824</u>	<u>4,824</u>	<u>-</u>
Health Services			
Pupil services		150	
Miscellaneous supplies		62	
Miscellaneous expense		15	
Total Health Services	<u>2,304</u>	<u>227</u>	<u>2,077</u>
Total Instruction Added Needs	<u>191,814</u>	<u>179,055</u>	<u>12,759</u>
TOTAL BASIC AND ADDED NEEEDS	<u><u>\$ 1,028,918</u></u>	<u><u>\$ 984,947</u></u>	<u><u>\$ 43,971</u></u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
SUPPORTING SERVICES ADMINISTRATION			
Board of Education			
Board member compensation		1,757	
Legal expense		5,749	
Audit costs		5,300	
Other professional contracts		4,320	
Advertising		5,694	
Dues and fees		1,023	
Miscellaneous expense		485	
Total Board of Education	<u>24,870</u>	<u>24,328</u>	<u>542</u>
Executive Administration			
Salaries			
Superintendent		58,250	
Secretarial		22,320	
Health and accident insurance		6,925	
Other insurance		1,458	
Retirement		20,790	
FICA		5,756	
Local travel		2,845	
Workshop and conferences		575	
Postage		792	
Office supplies		1,067	
Dues and fees		1,159	
Miscellaneous expense		3,065	
Total Executive Administration	<u>126,995</u>	<u>125,002</u>	<u>1,993</u>
Principal			
Salaries			
Principal		31,651	
Other administration salaries		395	
Secretarial		22,320	
Other temporary salaries		2,254	
Health and accident insurance		6,925	
Other insurance		627	
Retirement		14,731	
FICA		4,011	
Local travel		352	
Workshop and conferences		445	
Dues and fees		112	
Office supplies		219	
Miscellaneous expense		1,714	
Other professional contracts		968	
Total Principal	<u>90,051</u>	<u>86,724</u>	<u>3,327</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fiscal Services			
Salaries			
Business manager		54,460	
Health and accident insurance		13,850	
Other insurance		1,280	
Retirement		14,190	
FICA		3,628	
Michigan Readiness - purchased services		6,624	
Total Fiscal Services	<u>95,619</u>	<u>94,032</u>	<u>1,587</u>
Operations Building Services			
Salaries			
Custodial		27,234	
Other temporary salaries		2,623	
Dental and vision insurance		127	
Retirement		7,817	
FICA		2,239	
Instructional services		46,480	
Other professional contracts		10,805	
Workshop and conferences		60	
Telephone		4,450	
Waste disposal		3,532	
Property/liability insurance		17,373	
Woodchips and fuel		19,305	
Electricity		16,870	
Equipment and furniture		709	
Michigan Readiness - utilities		5,614	
Miscellaneous supplies		13,220	
Total Operations Building Services	<u>184,810</u>	<u>178,458</u>	<u>6,352</u>
Pupil Transportation			
Other professional contracts		148,453	
Fleet insurance		1,255	
Vehicle/bus repair		3,862	
Michigan Readiness - transportation		5,115	
Total Pupil Transportation	<u>158,692</u>	<u>158,685</u>	<u>7</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Community Services			
Title I Part A		435	
Total Community Services	<u>1,755</u>	<u>435</u>	<u>1,320</u>
Custody and Care of Children			
Salaries			
Daycare		17,551	
Retirement		4,745	
FICA		1,343	
Total Other Business Services	<u>23,700</u>	<u>23,639</u>	<u>61</u>
Other Business Services			
Interest expenses notes		17,721	
Bad debts		2,245	
Total Other Business Services	<u>17,721</u>	<u>19,966</u>	<u>(2,245)</u>
Instructional Staff			
Instructional		-	
Total Instructional Staff	<u>3,800</u>	<u>-</u>	<u>3,800</u>
Athletics			
Salaries			
Coaching wages		31,505	
Other temporary salaries		5,436	
Retirement		9,593	
FICA		2,775	
Purchased contracts		19,389	
Local travel		610	
Transportation contract carrier		-	
Supplies and materials		2,665	
Dues and fees		2,190	
Miscellaneous		1,980	
Total Athletics	<u>76,725</u>	<u>76,143</u>	<u>582</u>
Total Supporting Services	<u>804,738</u>	<u>787,412</u>	<u>17,326</u>
Debt Service			
Bus Payments		16,829	
Total Debt Service	<u>16,830</u>	<u>16,829</u>	<u>1</u>
TOTAL GENERAL FUND EXPENDITURES	<u><u>\$ 1,850,486</u></u>	<u><u>\$ 1,789,188</u></u>	<u><u>\$ 61,298</u></u>

JOHNSON & RENNIE, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Rodney R. Johnson, CPA
Joel T. Rennie, CPA
Carl R. Sorensen, CPA

Members
American Institute of CPA's
Michigan Association of CPA's
Wisconsin Institute of CPA's

**Independent Auditor's Report on Compliance and Internal Control Based on an
Audit of the General Purpose Financial Statements Performed in Accordance with
Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governmental activities, each major fund and the aggregate remaining fund information of Mid Peninsula School District as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise Mid Peninsula School District basic financial statements and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 that we consider to be a significant deficiency.

Compliance and other Matters

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

School's Response to Findings

Mid Peninsula School District response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Mid Peninsula School District response and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Johnson & Rennie LLC

Johnson and Rennie, LLC
Menominee, Michigan
October 21, 2019

Mid Peninsula School District
Schedule of Findings and Responses
For the Year Ended June 30, 2019

#2019-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Effect: We consider this condition to be a significant deficiency with nominal effect as the School District's Management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2019-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.

Mid Peninsula School District
Schedule of Prior Findings and Responses
For the Year Ended June 30, 2019

#2018-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Effect: We consider this condition to be a significant deficiency with nominal effect as the School District's Management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2018-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.

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Members
American Institute of CPA's
Michigan Association of CPA's
Wisconsin Institute of CPA's

October 21, 2019

Mid Peninsula School District
Board of Education
Rock, Michigan

We have audited the financial statements of Mid Peninsula School District, for the year ended June 30, 2019 and have issued our report thereon dated October 21, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 28, 2019, our responsibility as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement.

As part of our audit we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 21, 2019, regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 28, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mid Peninsula School District are described in Note 1 to the financial statements.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The most sensitive estimate affecting the financial statements was the School District's share of the MPERS and OPEB pension plans net pension liability recorded on the government-wide statements for the implementation of GASB Statement No. 75. The School District's estimate as of June 30, 2019 is \$3,278,857 and is based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such significant disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention of the Schools District's auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2019.

Management Consultations with Other Independent Accountants

In some cases management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge there were no such consultations with other accountants.

Very truly yours,



Johnson & Rennie, LLC
Menominee, Michigan
October 21, 2019