

Mackinac Island  
Public School



Year Ended  
June 30, 2018

Financial  
Statements



# MACKINAC ISLAND PUBLIC SCHOOL

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**INDEPENDENT AUDITORS' REPORT**

October 29, 2018

Board of Education  
Mackinac Island Public School  
Mackinac Island, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Mackinac Island Public School* (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

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

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

*Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the *Mackinac Island Public School* as of June 30, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the general fund and food service special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Implementation of GASB Statement No. 75*

As described in Note 13, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and was derived from and relate 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lehmann Johnson LLC". The signature is written in black ink and is centered on the page.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# MACKINAC ISLAND PUBLIC SCHOOL

## Management's Discussion and Analysis

As management of the Mackinac Island Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$382,959 (net position). The District ended the year with an unrestricted deficit of \$1,636,589.
- Compared to the previous year, the District's total net position decreased by \$527,740. This decrease includes a reduction in net position of \$783,115 resulting from the District's recognition of their portion of the MPSE's other postemployment benefit liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 13 for additional details.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,115,147, of which approximately \$965,000 or 87% is available for spending at the District's discretion (unassigned fund balance). The governmental fund activity for the year ended June 30, 2018 resulted in a net increase in fund balances of approximately \$24,000.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$965,000, or 52% of total general fund expenditures and transfers out.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**District-wide Financial Statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., compensated absences).

Both of the District-wide financial statements distinguish functions of the District that are principally supported by taxes and state aid (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, supporting services, and food services. The District has no business-type activities as of and for the year ended June 30, 2018.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

# MACKINAC ISLAND PUBLIC SCHOOL

## Management's Discussion and Analysis

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, food service special revenue fund, 2010 general obligation refunding bonds debt service fund, and capital projects fund.

The District adopts an annual appropriated budget for its general fund and food service special revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules of the District's pension and other postemployment benefits plans.

The *combining and individual fund financial statements and schedules* are presented immediately following the required supplementary information.

# MACKINAC ISLAND PUBLIC SCHOOL

## Management's Discussion and Analysis

### District-wide Financial Analysis

As mentioned previously, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District reported assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources of \$382,959. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2018	2017	
<b>Assets</b>			
Current and other assets	\$ 1,288,187	\$ 1,275,287	-1.0%
Capital assets, net	2,133,228	2,061,011	-3.5%
<b>Total assets</b>	<b>3,421,415</b>	<b>3,336,298</b>	<b>-2.6%</b>
Deferred outflows of resources	678,826	407,822	-66.5%
<b>Liabilities</b>			
Other liabilities	174,373	185,327	5.9%
Pension and OPEB liabilities	3,147,399	2,181,517	-44.3%
Long-term debt	211,588	409,675	48.4%
<b>Total liabilities</b>	<b>3,533,360</b>	<b>2,776,519</b>	<b>-27.3%</b>
Deferred inflows of resources	183,922	56,902	-223.2%
<b>Net position</b>			
Net investment in capital assets	1,933,228	1,661,011	-16.4%
Restricted	86,320	93,565	7.7%
Unrestricted (deficit)	(1,636,589)	(843,877)	-93.9%
<b>Total net position</b>	<b>\$ 382,959</b>	<b>\$ 910,699</b>	<b>57.9%</b>

The District's net position includes, in part, its investment in capital assets (e.g. buildings and improvements and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position consists of amounts that have external restrictions related to how they may be spent. These restrictions are for debt service and food service.

The remaining amount of net position, a deficit of approximately \$1.64 million, represents the accumulated results of the current and all past years' operations. This deficit includes the impact of the Governmental Accounting Standards Board requirement to report the District's proportionate share of the net pension liability and net other postemployment benefit liability on its statement of net position. The operating results of the general fund will also have a significant impact on the change in unrestricted position from year to year.

# MACKINAC ISLAND PUBLIC SCHOOL

## Management's Discussion and Analysis

The following condensed financial information was derived from the District-wide statement of activities and reflects how the District's net position changed during the fiscal year ended June 30:

	Change in Net Position		
	Governmental Activities		Percent Change
	2018	2017	
Program revenues			
Charges for services	\$ 13,640	\$ 10,682	-27.7%
Operating grants and contributions	119,404	102,340	-16.7%
Total program revenues	133,044	113,022	-17.7%
General revenues			
Property taxes	1,667,414	1,639,047	-1.7%
Unrestricted state aid	297,604	283,506	-5.0%
Insurance proceeds	-	33,325	100.0%
Unrestricted investment earnings	26,387	20,552	-28.4%
Total general revenues	1,991,405	1,976,430	-0.8%
Total revenues	2,124,449	2,089,452	-1.7%
Expenses			
Instruction	1,163,257	984,487	-18.2%
Supporting services	583,408	636,688	8.4%
Food services	56,502	58,963	4.2%
Interest on long-term debt	15,752	19,193	17.9%
Unallocated depreciation	50,155	50,155	0.0%
Total expenses	1,869,074	1,749,486	-6.8%
Change in net position	255,375	339,966	24.9%
Net position			
Beginning of year	910,699	570,733	100.0%
Restatement for implementation of GASB 75	(783,115)	-	-100.0%
End of year	\$ 382,959	\$ 910,699	57.9%

### Fund Financial Analysis of the District as a Whole

Of the District's total revenues available to operate the District, approximately \$14,000, or 0.6% was generated from fees charged to those who benefited from the programs. Approximately \$119,000, or 5.6%, was earned from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

Local property taxes, in the amount of approximately \$1.67 million, represented 78.5% of the revenues of the governmental activities. The property tax revenue represents approximately 7.75 mills on non-homestead property and .9 mills for the debt service on all property. The unrestricted state aid accounted for approximately \$298,000, or 14.0% of the revenue available. This revenue is determined by a formula that incorporates pupil head count, the annual per pupil allowance and the non-homestead property taxable value of the District. The remaining amount of revenue, approximately \$26,000 or 1.2% was derived from earnings on investments.

# MACKINAC ISLAND PUBLIC SCHOOL

## Management's Discussion and Analysis

Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$1.16 million or 62.2% of total expenses. Supporting services amounted to approximately \$583,000 or 31.2% of total expenses, which includes such items as instructional staff, administration, transportation, maintenance, technology and athletics that support the District's mission of educating children.

The District was required to implement Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The District's primary exposure to other postemployment benefits (OPEB) is through the State's MPERS retirement system and the health care benefits it offers to MPERS retirees. While the State oversees, administers, and promulgates the rules governing this system, districts that participate in the system are required to report any liability related to these benefits as a liability of the District. The liability is allocated to each district on a pro-rata basis and the liability amount is revised annually as the many factors impacting the calculation are updated. This is the first year the OPEB liability of approximately \$804,000 is reported in the District's financial statements. GASB 75 also requires the District to report the effect on the prior year's financial statements, had this statement been implemented at that time. This prior year impact is reflected in the Change in Net Position chart above as the "Restatement for implementation of GASB 75". The reporting of this OPEB liability reduced the District's beginning net position by approximately \$783,000.

### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As previously mentioned, the District's governmental funds reported combined ending fund balances of approximately \$1.12 million, an increase of approximately \$24,000 in comparison with the prior year. Of the combined governmental fund balances, approximately \$965,000 or 86.5% constitutes unassigned fund balance, which is available for spending at the District's discretion. District management has assigned approximately \$63,000 or 5.6% for subsequent year's expenditures. Approximately \$88,000 or 7.9% is restricted to indicate that it is not available for spending at the District's discretion. Of the restricted fund balance, approximately \$84,000 or 96% is earmarked for debt service and approximately \$3,000 or 4% is earmarked for food service. The increase in fund balance is primarily attributable to a decrease in capital outlay expenditures during fiscal year 2018.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, total fund balance, was approximately \$1.03 million of which approximately \$63,000 is assigned for subsequent year's expenditures. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Total fund balance represents approximately 55.3% of current fiscal year general fund expenditures and transfers out.

### General Fund Budgetary Highlights

Generally, as additional information became known during the fiscal year, budget amendments were made as deemed necessary. A statement showing the District's original and final budget amounts, compared with actual amounts is provided in the basic financial statements.

The following were the differences between the originally adopted and final amended budgets:

- Instruction - basic programs increased \$41,786 due to staff salary increases.
- Transfers out increased \$60,200 due to transfers to the capital project fund to cover additional costs to complete the employee housing duplex.

# MACKINAC ISLAND PUBLIC SCHOOL

## Management's Discussion and Analysis

The following were the differences between the final amended budget and actual results:

- Support services actual expenditures \$569,329 were less than the \$626,981 final budgeted amount. This difference resulted primarily from lower than expected costs related to instructional staff services, general administration, operations and maintenance, pupil transportation and central services.

### Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$2,133,228 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and improvement, and furniture and equipment. The land on which the school is built is owned by the City of Mackinac Island. The District's capital asset additions included the purchase and installation of a new telephone system and the completion of the employee housing duplex. Additional information on capital assets can be found in the notes to the financial statements.

	Capital Assets (net of depreciation)	
	2018	2017
Land	\$ 45,360	\$ 45,360
Construction in progress	-	297,648
Buildings and improvements	2,024,965	1,653,576
Furniture and equipment	62,903	64,427
Total capital assets, net	<u>\$ 2,133,228</u>	<u>\$ 2,061,011</u>

**Debt Administration.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$200,000, of which is due in fiscal 2019. Other long-term liabilities consist of compensated absences in the amount of \$11,588. Additional information on long-term debt can be found in the notes to the financial statements.

### Economic Factors and Next Year's Budget and Rates

- General Fund revenues are anticipated to increase approximately \$24,000 attributable to increased property values resulting in additional property tax revenue.
- General Fund expenditures are anticipated to increase approximately \$167,000 attributable to wage increases, the purchase and installation of a new security system and PA system, and the implementation of a new reading program.

The District considered these factors in preparing the District's budget for the 2019 fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Superintendent, Mackinac Island Public School, Mackinac Island, Michigan.

## BASIC FINANCIAL STATEMENTS



## DISTRICT-WIDE FINANCIAL STATEMENTS

# MACKINAC ISLAND PUBLIC SCHOOL

## Statement of Net Position

June 30, 2018

Assets	
Cash and cash equivalents	\$ 1,230,893
Receivables	57,294
Capital assets not being depreciated	45,360
Capital assets being depreciated	<u>2,087,868</u>
Total assets	<u>3,421,415</u>
Deferred outflows of resources	
Deferred pension amounts	627,946
Deferred other postemployment benefit amounts	<u>50,880</u>
Total deferred outflows of resources	<u>678,826</u>
Liabilities	
Accounts payable and accrued liabilities	174,373
Long-term debt:	
Due within one year	200,000
Due in more than one year	11,588
Net pension liability	2,343,537
Net other postemployment benefit liability	<u>803,862</u>
Total liabilities	<u>3,533,360</u>
Deferred inflows of resources	
Deferred pension amounts	156,745
Deferred other postemployment benefit amounts	<u>27,177</u>
Total deferred inflows of resources	<u>183,922</u>
Net position	
Net investment in capital assets	1,933,228
Restricted for:	
Food service	3,475
Debt service	82,845
Unrestricted (deficit)	<u>(1,636,589)</u>
Total net position	<u>\$ 382,959</u>

The accompanying notes are an integral part of these basic financial statements.

# MACKINAC ISLAND PUBLIC SCHOOL

## Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 1,163,257	\$ -	\$ 52,810	\$ (1,110,447)
Supporting services	583,408	-	57,288	(526,120)
Food services	56,502	13,640	9,306	(33,556)
Interest on long-term debt	15,752	-	-	(15,752)
Unallocated depreciation	50,155	-	-	(50,155)
<b>Total governmental activities</b>	<b>1,869,074</b>	<b>13,640</b>	<b>119,404</b>	<b>(1,736,030)</b>
<b>General revenues</b>				
Property taxes - operations				1,462,014
Property taxes - debt service				205,400
Unrestricted state aid				297,604
Interest earnings				26,387
<b>Total general revenues</b>				<b>1,991,405</b>
<b>Change in net position</b>				<b>255,375</b>
<b>Net position, beginning of year, as restated</b>				<b>127,584</b>
<b>Net position, end of year</b>				<b>\$ 382,959</b>

The accompanying notes are an integral part of these basic financial statements.

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## FUND FINANCIAL STATEMENTS

# MACKINAC ISLAND PUBLIC SCHOOL

## Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	Food Service Special Revenue Fund	2010 General Obligation Refunding Bonds Debt Service Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 1,147,081	\$ -	\$ 83,812
Receivables	52,246	4,682	366
Due from other funds	924	-	-
<b>Total assets</b>	<b>\$ 1,200,251</b>	<b>\$ 4,682</b>	<b>\$ 84,178</b>
<b>Liabilities</b>			
Accounts payable	\$ 893	\$ 283	\$ -
Accrued salaries and employee benefits	139,564	-	-
Deferred revenue	32,300	-	-
Due to other funds	-	924	-
<b>Total liabilities</b>	<b>172,757</b>	<b>1,207</b>	<b>-</b>
<b>Fund balances</b>			
Restricted	-	3,475	84,178
Assigned for subsequent year's expenditures	62,510	-	-
Unassigned	964,984	-	-
<b>Total fund balances</b>	<b>1,027,494</b>	<b>3,475</b>	<b>84,178</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,200,251</b>	<b>\$ 4,682</b>	<b>\$ 84,178</b>

The accompanying notes are an integral part of these basic financial statements.



Capital Projects Fund	Total Governmental Funds
-----------------------------	--------------------------------

\$	-	\$	1,230,893
	-		57,294
	-		924

<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,289,111</u>
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\$	-	\$	1,176
	-		139,564
	-		32,300
	-		924

<u>-</u>	<u>173,964</u>
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-	87,653
-	62,510
-	964,984

<u>-</u>	<u>1,115,147</u>
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<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,289,111</u>
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# MACKINAC ISLAND PUBLIC SCHOOL

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2018

Fund balances - total governmental funds	\$ 1,115,147
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	45,360
Capital assets being depreciated, net	2,087,868
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(200,000)
Accrued interest on bonds payable	(1,333)
Compensated absences	(11,588)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net OPEB liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(2,343,537)
Deferred outflows of resources related to the net pension liability	627,946
Deferred inflows of resources related to the net pension liability	(156,745)
Net other postemployment benefit liability	(803,862)
Deferred outflows of resources related to the net other postemployment liability	50,880
Deferred inflows of resources related to the net other postemployment liability	(27,177)
Net position of governmental activities	<u>\$ 382,959</u>

The accompanying notes are an integral part of these basic financial statements.

# MACKINAC ISLAND PUBLIC SCHOOL

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

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Food Service Special Revenue Fund	2010 General Obligation Refunding Bonds Debt Service Fund
<b>Revenues</b>			
Local sources	\$ 1,542,642	\$ 13,640	\$ 208,507
State sources	294,150	3,454	-
Federal sources	43,645	9,306	-
Interdistrict sources	9,105	-	-
<b>Total revenues</b>	<b>1,889,542</b>	<b>26,400</b>	<b>208,507</b>
<b>Expenditures</b>			
Current			
Instruction	1,124,365	-	-
Supporting services	569,329	-	-
Food services	-	55,695	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	200,000
Interest	-	-	15,464
<b>Total expenditures</b>	<b>1,693,694</b>	<b>55,695</b>	<b>215,464</b>
<b>Revenues over (under) expenditures</b>	<b>195,848</b>	<b>(29,295)</b>	<b>(6,957)</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	29,295	-
Transfers out	(164,749)	-	-
<b>Total other financing sources (uses)</b>	<b>(164,749)</b>	<b>29,295</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>31,099</b>	<b>-</b>	<b>(6,957)</b>
<b>Fund balances, beginning of year</b>	<b>996,395</b>	<b>3,475</b>	<b>91,135</b>
<b>Fund balances, end of year</b>	<b>\$ 1,027,494</b>	<b>\$ 3,475</b>	<b>\$ 84,178</b>

The accompanying notes are an integral part of these basic financial statements.



Capital Projects Fund	Total Governmental Funds
\$ -	\$ 1,764,789
-	297,604
-	52,951
-	9,105
<hr/>	<hr/>
-	2,124,449
<hr/>	<hr/>
-	1,124,365
-	569,329
-	55,695
135,454	135,454
-	200,000
-	15,464
<hr/>	<hr/>
135,454	2,100,307
<hr/>	<hr/>
(135,454)	24,142
<hr/>	<hr/>
135,454	164,749
-	(164,749)
<hr/>	<hr/>
135,454	-
-	24,142
-	1,091,005
<hr/>	<hr/>
\$ -	\$ 1,115,147
<hr/> <hr/>	<hr/> <hr/>

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# MACKINAC ISLAND PUBLIC SCHOOL

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ 24,142
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchased / constructed	143,500
Depreciation expense	(71,283)
Repayment of debt principal is an expenditure in the governmental funds, but a reduction in long-term debt in the statement of net position.	
Principal payments on long-term debt	200,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in net pension liability and related deferred amounts	(41,739)
Change in the net other postemployment benefit liability and related deferred amounts	2,956
Change in the accrual for compensated absences	(1,913)
Change in accrued interest payable on bonds	(288)
Change in net position of governmental activities	<u>\$ 255,375</u>

The accompanying notes are an integral part of these basic financial statements.

# MACKINAC ISLAND PUBLIC SCHOOL

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 1,493,977	\$ 1,567,314	\$ 1,542,642	\$ (24,672)
State sources	265,271	274,443	294,150	19,707
Federal sources	37,226	43,645	43,645	-
Interdistrict sources	7,522	9,335	9,105	(230)
<b>Total revenues</b>	<b>1,803,996</b>	<b>1,894,737</b>	<b>1,889,542</b>	<b>(5,195)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Basic programs	934,659	976,445	956,164	(20,281)
Added needs	171,340	172,503	168,201	(4,302)
<b>Supporting services</b>				
Pupil services	32,254	33,000	31,312	(1,688)
Instructional staff	14,454	13,853	9,086	(4,767)
General administration	246,755	245,360	235,106	(10,254)
Business services	20,583	22,293	20,000	(2,293)
Operations and maintenance	176,702	180,769	166,816	(13,953)
Pupil transportation	47,000	52,000	39,456	(12,544)
Central services	45,994	51,849	40,701	(11,148)
Other support	33,355	27,857	26,852	(1,005)
<b>Total expenditures</b>	<b>1,723,096</b>	<b>1,775,929</b>	<b>1,693,694</b>	<b>(82,235)</b>
<b>Revenues over expenditures</b>	<b>80,900</b>	<b>118,808</b>	<b>195,848</b>	<b>77,040</b>
<b>Other financing uses</b>				
Transfers out	(111,700)	(171,900)	(164,749)	(7,151)
<b>Net change in fund balance</b>	<b>(30,800)</b>	<b>(53,092)</b>	<b>31,099</b>	<b>(84,191)</b>
<b>Fund balance, beginning of year</b>	<b>996,395</b>	<b>996,395</b>	<b>996,395</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 965,595</b>	<b>\$ 943,303</b>	<b>\$ 1,027,494</b>	<b>\$ 84,191</b>

The accompanying notes are an integral part of these basic financial statements.

# MACKINAC ISLAND PUBLIC SCHOOL

## Statement of Revenues, Expenditures, and Change in Fund Balance Budget and Actual - Food Service Special Revenue Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 13,055	\$ 11,750	\$ 13,640	\$ 1,890
State sources	3,035	3,353	3,454	101
Federal sources	9,694	9,694	9,306	(388)
<b>Total revenues</b>	<b>25,784</b>	<b>24,797</b>	<b>26,400</b>	<b>1,603</b>
Expenditures				
Food services	62,400	60,527	55,695	(4,832)
Revenues under expenditures	(36,616)	(35,730)	(29,295)	6,435
Other financing sources				
Transfers in	36,700	36,700	29,295	(7,405)
Net change in fund balance	84	970	-	(970)
Fund balance, beginning of year	3,475	3,475	3,475	-
Fund balance, end of year	\$ 3,559	\$ 4,445	\$ 3,475	\$ (970)

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

**Statement of Fiduciary Net Position**  
 Fiduciary Funds  
 June 30, 2018

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 12,812	\$ 44,872
Investments - certificates of deposit	<u>107,076</u>	<u>-</u>
<b>Total assets</b>	<b>119,888</b>	<b><u><u>\$ 44,872</u></u></b>
<b>Liabilities</b>		
Due to student groups	<u>-</u>	<u><u>\$ 44,872</u></u>
<b>Net position restricted</b>		
For scholarships	<u><u>\$ 119,888</u></u>	

The accompanying notes are an integral part of these basic financial statements.



# MACKINAC ISLAND PUBLIC SCHOOL

## Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2018

Additions	
Interest income	\$ 3,536
Deductions	
Scholarships	<u>1,520</u>
Change in net position	2,016
Net position, beginning of year	<u>117,872</u>
Net position, end of year	<u>\$ 119,888</u>

The accompanying notes are an integral part of these basic financial statements.

## NOTES TO FINANCIAL STATEMENTS

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

*Mackinac Island Public School* (the "District") is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate component units of the District. Based on application of the criteria, the District has no component units.

#### *District-wide and Fund Financial Statements*

The District-wide financial statements (i.e. the *statement of net position* and the *statement of activities*) report information on all of the non-fiduciary activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2018.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except taxes which must be collected within 60 days, and reimbursement type grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state school aid, expenditure-driven grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following governmental major funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The *food service special revenue fund* accounts for the food service program sponsored by the District. Revenues in the food service program consist mainly of federal awards and charges for services. An operating deficit generated by this fund is the responsibility of the general fund.

The *2010 general obligation refunding bond debt service fund* accounts for the property taxes assessed and collected to repay the principal and interest on the bonds which refunded the bonds related to the 1999 construction project in the District.

The *capital projects fund* is used to account for and report all financial resources that are restricted to expenditure for the acquisition or construction of capital assets.

Fiduciary funds account for assets held by the District in a trustee capacity or an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the District-wide financial statements. The District reports the following fiduciary funds:

The *private purpose trust funds* account for assets whereby both the principal and interest may be spent. The purpose of these trust funds is to provide scholarships to students of the District.

The *agency fund* accounts for assets held for other groups and organizations and are custodial in nature.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the District-wide financial statements.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

#### *Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of certificates of deposit and are reported at cost.

#### *Receivables and Payables*

The District follows the practice of recording revenues that have been earned but not yet received as receivables at year end. Receivables consist primarily of state school aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2018.

#### *Capital Assets*

Capital assets, which include building and improvements and property and equipment, are reported in the governmental activities columns in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where actual information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	20-50
Furniture and equipment	5-20

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plans subsequent to the plan measurement date.

### *Salaries Payable and Accrued Employee Benefits*

A liability is recorded at June 30, 2018 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### *Long-term Obligations*

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to pension and net other postemployment benefit costs.

### *Fund Balances*

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other districts. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the District's superintendent or his designee. Unassigned fund balance is the residual classification for the general fund.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Property Taxes*

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on July 1 and December 1 each year, based on the previous year's assessment, by township governments whose boundaries include property within the District, and are due on September 30 and February 28, respectively. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year end.

### *Interfund Transactions*

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

### *Pensions and Other Postemployment Benefits*

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Use of Estimates*

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

## 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the food service special revenue fund. All annual appropriations lapse at fiscal year-end.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

The general fund and the food service special revenue fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles ("GAAP"), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general fund and food service special revenue fund are adopted on a functional basis.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2018, the District incurred no expenditures in excess of the amounts appropriated.

### 3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 16% of the District's general fund revenue during the 2018 fiscal year.

### 4. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2018:

Statement of net position	
Cash and cash equivalents	\$ 1,230,893
Statement of fiduciary net position	
Private purpose trust funds:	
Cash and cash equivalents	12,812
Investments - certificates of deposit	107,076
Agency fund:	
Cash and cash equivalents	<u>44,872</u>
Total	<u>\$ 1,395,653</u>
Deposits and investments	
Checking and savings accounts:	\$ 1,288,537
Certificates of deposit:	
Due within one year	1,000
Due within one to five years	106,076
Cash on hand	<u>40</u>
Total	<u>\$ 1,395,653</u>



# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

Investments included in the private purpose trust fund consist of certificates of deposits which are reported at cost and considered to be deposits for risk purposes.

Michigan law authorizes the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows all of the above types of investments. The District does not have specific policies relating to credit risk, interest rate risk or custodial risk for investments.

### *Deposit Risk*

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial risk. As of the year ended June 30, 2018, \$1,059,647 of the District's bank balance of \$1,309,647 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### 5. RECEIVABLES

Receivables, as of June 30, 2018, are comprised of the following:

	Amount
Accounts receivable	\$ 4,311
Due from other governments	<u>52,983</u>
Total	<u>\$ 57,294</u>

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, as of June 30, 2018, are comprised of the following:

	Amount
Accounts payable	\$ 1,176
Accrued interest	1,333
Accrued salaries and employee benefits	139,564
Deferred revenue	<u>32,300</u>
Total	<u>\$ 174,373</u>

### 7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances, as of June 30, 2018, are comprised of the following:

	Due from other funds	Due to other funds
General fund	\$ 924	\$ -
Food service special revenue fund	<u>-</u>	<u>924</u>
Total	<u>\$ 924</u>	<u>\$ 924</u>

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

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

Interfund transfers, for the year ended June 30, 2018, consisted of the following:

	Transfers in	Transfers out
General fund	\$ -	\$ 164,749
Food service special revenue fund	29,295	-
Capital projects fund	135,454	-
<b>Total</b>	<b>\$ 164,749</b>	<b>\$ 164,749</b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## 8. CAPITAL ASSETS

Capital asset activity, for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 45,360	\$ -	\$ -	\$ -	\$ 45,360
Construction in progress	297,648	-	-	(297,648)	-
	<u>343,008</u>	<u>-</u>	<u>-</u>	<u>(297,648)</u>	<u>45,360</u>
 Capital assets, being depreciated:					
Buildings and improvements	2,819,054	135,454	-	297,648	3,252,156
Furniture and equipment	193,812	8,046	-	-	201,858
	<u>3,012,866</u>	<u>143,500</u>	<u>-</u>	<u>297,648</u>	<u>3,454,014</u>
 Less accumulated depreciation for:					
Buildings and improvements	(1,165,478)	(61,713)	-	-	(1,227,191)
Furniture and equipment	(129,385)	(9,570)	-	-	(138,955)
	<u>(1,294,863)</u>	<u>(71,283)</u>	<u>-</u>	<u>-</u>	<u>(1,366,146)</u>
 Total capital assets being depreciated, net	<u>1,718,003</u>	<u>72,217</u>	<u>-</u>	<u>297,648</u>	<u>2,087,868</u>
 Governmental activities capital assets, net	<u>\$ 2,061,011</u>	<u>\$ 72,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,133,228</u>

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

The land on which the school is built is owned by the City of Mackinac Island.

Depreciation expense was charged to functions/programs of the District as follows:

Depreciation of governmental activities by function

Instruction	\$	6,398
Supporting services		14,730
Unallocated		<u>50,155</u>
	<u>\$</u>	<u>71,283</u>

## 9. LONG-TERM DEBT

Long-term debt of the District consists of the following at June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Bonds payable</b>					
General obligation bonds	\$ 400,000	\$ -	\$ (200,000)	\$ 200,000	\$ 200,000
<b>Other long-term debt</b>					
Compensated absences	<u>9,675</u>	<u>12,500</u>	<u>(10,587)</u>	<u>11,588</u>	<u>-</u>
<b>Total long-term debt</b>	<u>\$ 409,675</u>	<u>\$ 12,500</u>	<u>\$ (210,587)</u>	<u>\$ 211,588</u>	<u>\$ 200,000</u>

General obligation bonds payable at June 30, 2018, includes the following:

\$1,600,000, 2010 general obligation refunding bonds with a final annual installment of \$200,000 plus interest at 4.00% due May 2019.	<u>\$ 200,000</u>
--	-------------------

The final debt service requirement for bonds payable, including both principal and interest, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	<u>\$ 200,000</u>	<u>\$ 8,000</u>	<u>\$ 208,000</u>

Interest expense was \$15,752 for the year ended June 30, 2018.

Compensated absences are generally liquidated by the General Fund.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### 10. RETIREMENT PLAN

#### *Plan Description*

The Michigan Public School Employees' Retirement System (the "System" or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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 at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### *Pension 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### *Other Postemployment 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 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, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the District were \$250,381 for the year ended June 30, 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the District were \$55,671 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$2,343,537 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.00904%, which was a decrease of 0.0003% from its proportion measured as of September 30, 2016.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

For the year ended June 30, 2018, the District recognized pension expense of \$264,021. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 20,367	\$ 11,499	\$ 8,868
Changes in assumptions	256,753	-	256,753
Net difference between projected and actual earnings on pension plan investments	-	112,035	(112,035)
Changes in proportion and differences between employer contributions and proportionate share of contributions	120,751	33,211	87,540
	<u>397,871</u>	<u>156,745</u>	<u>241,126</u>
District contributions subsequent to the measurement date	230,075	-	230,075
	<u>230,075</u>	<u>-</u>	<u>230,075</u>
<b>Total</b>	<b><u>\$ 627,946</u></b>	<b><u>\$ 156,745</u></b>	<b><u>\$ 471,201</u></b>

\$230,075 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 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 63,804
2019	107,752
2020	65,669
2021	3,901
<b>Total</b>	<b><u>\$ 241,126</u></b>

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

At June 30, 2018, the District reported a liability of \$803,862 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The 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, 2017, the District's proportion was 0.00908%.



# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

For the year ended June 30, 2018, the District recognized OPEB expense of \$54,147. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 8,559	\$ (8,559)
Net difference between projected and actual earnings on OPEB plan investments	-	18,618	(18,618)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,698	-	1,698
	<u>1,698</u>	<u>27,177</u>	<u>(25,479)</u>
District contributions subsequent to the measurement date	49,182	-	49,182
	<u>49,182</u>	<u>-</u>	<u>49,182</u>
Total	<u>\$ 50,880</u>	<u>\$ 27,177</u>	<u>\$ 23,703</u>

\$49,182 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:

Year Ended June 30,	Amount
2019	\$ (6,188)
2020	(6,188)
2021	(6,188)
2022	(6,188)
2023	<u>(727)</u>
Total	<u>\$ (25,479)</u>

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### *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. The total pension and OPEB liabilities in the September 30, 2016 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5%
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other OPEB 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.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### *Long-Term Expected Return on Plan Assets*

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan’s target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

### *Discount Rate*

A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% (7.0% for the Pension Plus 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. Based on these assumptions, the pension and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### *Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,052,849	\$ 2,343,537	\$ 1,746,341

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the 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 higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 941,555	\$ 803,862	\$ 687,004

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to the Healthcare Cost Trend Rate*

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

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 680,763	\$ 803,862	\$ 943,633

### *Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

# MACKINAC ISLAND PUBLIC SCHOOL

## Notes to Financial Statements

### *Payable to the Pension Plan*

At June 30, 2018, the District reported a payable of \$30,063 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

### *Payable to the OPEB Plan*

At June 30, 2018, the District reported a payable of \$5,571 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

The net pension and net OPEB liabilities are expected to be liquidated by the general fund.

## 11. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2018, was as follows:

Capital assets, net of depreciation	\$ 2,133,228
Less related debt:	
Bonds payable	<u>(200,000)</u>
Net investment in capital assets	<u>\$ 1,933,228</u>

## 12. COMMITMENTS AND CONTINGENCIES

**Federal and State Grant Programs.** Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and contracts. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

**Risk Management.** The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. During fiscal 2018, the District had purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2018.

# MACKINAC ISLAND PUBLIC SCHOOL

## ■ Notes to Financial Statements

The District is a reimbursing employer to the Michigan Employment Security Commission (the "Commission") and as such is responsible to pay the Commission for all benefits paid and charged to the District. As of June 30, 2018, appropriate liabilities have been recorded for all claims paid by the Commission which have been submitted to the District. However, no provision has been made for future payments that might result from claims unprocessed or unfiled.

## 13. RESTATEMENT

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$783,115.



**REQUIRED SUPPLEMENTARY INFORMATION**

# MACKINAC ISLAND PUBLIC SCHOOL

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,			
	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 2,343,537	\$ 2,181,517	\$ 2,028,591	\$ 1,903,843
District's proportion of the net pension liability	0.00904%	0.00874%	0.00831%	0.00864%
District's covered-employee payroll	\$ 762,991	\$ 763,038	\$ 701,492	\$ 733,472
District's proportionate share of the net pension liability as a percentage of its covered payroll	307.15%	285.90%	289.18%	259.57%
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



# MACKINAC ISLAND PUBLIC SCHOOL

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2018	2017	2016	2015
Contractually required contribution	\$ 250,381	\$ 252,756	\$ 188,641	\$ 156,877
Contributions in relation to the contractually required contribution	<u>(250,381)</u>	<u>(252,756)</u>	<u>(188,641)</u>	<u>(156,877)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 779,237	\$ 767,143	\$ 745,410	\$ 694,562
Contributions as a percentage of covered payroll	32.13%	32.95%	25.31%	22.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# MACKINAC ISLAND PUBLIC SCHOOL

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	\$ 803,862
District's proportionate share of the net OPEB liability	0.00908%
District's covered payroll	\$ 762,991
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	105.36%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# MACKINAC ISLAND PUBLIC SCHOOL

## Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30, 2018
Contractually required contribution	\$ 55,671
Contributions in relation to the contractually required contribution	<u>(55,671)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 779,237
Contributions as a percentage of covered payroll	7.14%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

# MACKINAC ISLAND PUBLIC SCHOOL

## Schedule of Revenues

General Fund

For the Year Ended June 30, 2018

Revenue	
Local sources:	
Property taxes	\$ 1,462,014
Operating grants and contributions	57,348
Interest	23,280
	<hr/>
Total local sources	1,542,642
	<hr/>
State sources:	
Special education headlee obligation	54,486
Isolated district grant	101,520
MPSER cost offset	129,274
Technology infrastructure	1,662
Robotics	4,450
Other	2,758
	<hr/>
Total state sources	294,150
	<hr/>
Federal sources:	
Flowthrough	15,810
Rural education achievement program	17,060
State pass-through Title I and Title II	10,775
	<hr/>
Total federal sources	43,645
	<hr/>
Interdistrict sources:	
Special education distribution	7,145
Other	1,960
	<hr/>
Total interdistrict sources	9,105
	<hr/>
Total revenues	\$ 1,889,542
	<hr/> <hr/>

# MACKINAC ISLAND PUBLIC SCHOOL

## Schedule of Expenditures and Other Financing Uses General Fund For the Year Ended June 30, 2018

Expenditures	
Instruction	
Basic programs	
Preschool:	
Salaries	\$ 17,782
Employee benefits	10,991
Supplies and materials	761
Total preschool	<u>29,534</u>
Elementary:	
Salaries	213,632
Employee benefits	151,947
Purchased services	15,021
Supplies and materials	17,827
Total elementary	<u>398,427</u>
Secondary:	
Salaries	287,395
Employee benefits	204,091
Purchased services	24,623
Supplies and materials	9,756
Total secondary	<u>525,865</u>
Summer:	
Salaries	1,620
Employee benefits	718
Total summer	<u>2,338</u>
Total basic programs	<u>956,164</u>
Added needs	
Special education:	
Salaries	87,495
Employee benefits	55,861
Purchased services	2,770
Supplies and materials	991
Total special education	<u>147,117</u>
Compensatory education:	
Salaries	11,183
Employee benefits	5,091
Supplies and materials	3,000
Total compensatory education	<u>19,274</u>
Career and technical education:	
Purchased services	<u>1,810</u>
Total added needs	<u>168,201</u>
Total instruction	<u>1,124,365</u>

Continued...

# MACKINAC ISLAND PUBLIC SCHOOL

## Schedule of Expenditures and Other Financing Uses

General Fund  
For the Year Ended June 30, 2018

Supporting services	
Pupil services	
Speech services:	
Salaries	<u>\$ 31,312</u>
Instructional staff	
Library:	
Purchased services	655
Supplies and materials	<u>54</u>
Total library	<u>709</u>
Supervision and direction of instructional staff:	
Salaries	<u>7,433</u>
Academic student assessment:	
Supplies and materials	<u>944</u>
Total instructional staff	<u>9,086</u>
General administration	
Board of education:	
Salaries	630
Employee benefits	295
Purchased services	12,013
Other	<u>701</u>
Total board of education	<u>13,639</u>
Executive administration:	
Salaries	110,500
Employee benefits	91,438
Purchased services	10,905
Supplies and materials	4,608
Other	3,254
Capital outlay	<u>762</u>
Total executive administration	<u>221,467</u>
Total general administration	<u>235,106</u>
Business	
Fiscal services:	
Purchased services	<u>20,000</u>

Continued...

# MACKINAC ISLAND PUBLIC SCHOOL

## Schedule of Expenditures and Other Financing Uses

General Fund  
For the Year Ended June 30, 2018

Supporting services (concluded)	
Operations and maintenance:	
Salaries	\$ 26,838
Employee benefits	28,506
Purchased services	38,258
Supplies and materials	65,168
Capital outlay	8,046
Total operations and maintenance	<u>166,816</u>
Pupil transportation:	
Transportation purchased services	<u>39,456</u>
Central services	
Technology:	
Salaries	1,000
Employee benefits	446
Purchased services	38,883
Supplies and materials	372
Total technology	<u>40,701</u>
Other services	
Athletics:	
Salaries	6,989
Employee benefits	3,327
Purchased services	14,417
Supplies and materials	1,919
Total athletics	<u>26,652</u>
Out of state payments:	
Purchased services	<u>200</u>
Total other services	<u>26,852</u>
Total supporting services	<u>569,329</u>
Total expenditures	1,693,694
Other financing uses	
Transfer out	<u>164,749</u>
Total expenditures and other financing uses	<u>\$ 1,858,443</u>
	Concluded



# MACKINAC ISLAND PUBLIC SCHOOL

## Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2018

	Balances July 1, 2017	Receipts	Disbursements	Balances June 30, 2018
<b>Assets</b>				
Cash	\$ 41,324	\$ 51,847	\$ 48,299	\$ 44,872
<b>Liabilities</b>				
Due to student groups	\$ 41,324	\$ 51,847	\$ 48,299	\$ 44,872
Due to student groups				
Class of 2017	\$ 546	\$ -	\$ 546	\$ -
Class of 2018	2,099	6,444	7,735	808
Class of 2019	1,211	1,586	905	1,892
Class of 2020	361	2,272	1,662	971
Class of 2021	-	5,871	4,467	1,404
Project Close-Up	5,537	1,785	6,901	421
Travel Club	9,968	986	-	10,954
Kindness Fund	2,349	103	410	2,042
Activity Fund	6,714	-	5,875	839
Yearbook	656	76	699	33
Golf	1,984	1	250	1,735
Sports Boosters	3,557	23,269	14,468	12,358
Memorial Fund	4,332	1,007	300.00	5,039
PR Reserve Account	-	3,447	-	3,447
Northern Lights League	2,010	5,000	4,081	2,929
<b>Total</b>	<b>\$ 41,324</b>	<b>\$ 51,847</b>	<b>\$ 48,299</b>	<b>\$ 44,872</b>

# MACKINAC ISLAND PUBLIC SCHOOL

## Combining Statement of Fiduciary Assets and Liabilities

Private Purpose Trust Funds

June 30, 2018

	John Franks Scholarship Fund	Stella King Scholarship Fund	Total
Assets			
Cash and cash equivalents	\$ 6,565	\$ 6,247	\$ 12,812
Investments	106,076	1,000	107,076
	<hr/>	<hr/>	<hr/>
Total assets equal to net position, restricted for scholarships	\$ 112,641	\$ 7,247	\$ 119,888
	<hr/>	<hr/>	<hr/>

# MACKINAC ISLAND PUBLIC SCHOOL

## Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds For the Year Ended June 30, 2018

	John Franks Scholarship Fund	Stella King Scholarship Fund	Total
<b>Additions</b>			
Investments earnings	\$ 1,891	\$ 1,645	\$ 3,536
<b>Deductions</b>			
Scholarships	1,000	520	1,520
<b>Change in net position</b>	891	1,125	2,016
<b>Net position, beginning of year</b>	111,750	6,122	117,872
<b>Net position, end of year</b>	<u>\$ 112,641</u>	<u>\$ 7,247</u>	<u>\$ 119,888</u>

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**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

October 29, 2018

Board of Education  
Mackinac Island Public Schools  
Mackinac Island, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Mackinac Island Public School* (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2018.

#### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Rehmann Lobson LLC*

# MACKINAC ISLAND PUBLIC SCHOOL

## Schedule of Findings and Responses For the Year Ended June 30, 2018

None noted.



**INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

October 29, 2018

Board of Education  
Mackinac Island Public School  
Mackinac Island, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Mackinac Island Public School* (the "District") as of and for the year ended June 30, 2018, and have issued our report thereon dated October 29, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated March 28, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 29, 2018.

**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 and in our meeting about planning matters on July 27, 2018.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.



## Qualitative Aspects of the District's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements.

As described in Note 13 to the financial statements, the District changed accounting policies related to its accounting for its proportionate share of the net other postemployment benefit (OPEB) liability of the Michigan Public School Employees Retirement System (MPERS) by adopting Statement of Governmental Accounting Standards (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension and OPEB liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of the District's management.

### Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

### Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of *Mackinac Island Public School* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is written in a cursive style with a small vertical line at the end of the "LLC".

# MACKINAC ISLAND PUBLIC SCHOOL

## Attachment A - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2018 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 83 ■ Certain Asset Retirement Obligations**

*Effective 06/15/2019 (your FY 2019)*

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the District.

### **GASB 84 ■ Fiduciary Activities**

*Effective 12/15/2019 (your FY 2020)*

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the District.

### **GASB 87 ■ Leases**

*Effective 12/15/2020 (your FY 2021)*

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

### **GASB 88 ■ Certain Disclosures Related to Debt**

*Effective 06/15/2019 (your FY 2019)*

This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the District.

### **GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period**

*Effective 12/15/2020 (your FY 2021)*

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the District.

# MACKINAC ISLAND PUBLIC SCHOOL

## Attachment A - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2018 Audit

### GASB 90 ■ Majority Equity Interests *Effective 12/15/2019 (your FY 2020)*

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the District.



# MACKINAC ISLAND PUBLIC SCHOOL

## Attachment B - Management Representations

For the June 30, 2018 Audit

The following pages contain the written representations that we requested from management.



# MACKINAC ISLAND PUBLIC SCHOOL

P.O. BOX 340 • 7846 MAIN STREET • MACKINAC ISLAND, MI 49757-0340

PHONE (906) 847-3376 • FAX (906) 847-3773 • MACKINAC.EUPSCHOOLS.ORG

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October 29, 2018

Rehmann Robson  
P.O. Box 250  
Cheboygan, MI 49721

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Mackinac Island Public School* (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations and the respective budgetary comparison for the general fund and food service special revenue fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 29, 2018:

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 28, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All funds and activities are properly classified.
11. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
12. All components of net position and fund balance classifications have been properly reported.
13. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
14. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
15. All interfund and intra-entity transactions and balances have been properly classified and reported.
16. Deposit and investment risks have been properly and fully disclosed.
17. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
18. All required supplementary information is measured and presented within the prescribed guidelines.
19. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
20. We are responsible for the fair presentation of the District's proportionate share of the net pension and net OPEB liabilities of the Michigan Public School Employees Retirement System (MPERS) and related amounts. We provided MPERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPERS for inclusion in the District's financial statements.

#### **Information Provided**

21. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



24. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
25. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
26. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
27. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
28. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
29. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
30. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
31. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
32. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
33. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
34. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
35. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Supplementary Information in Relation to the Financial Statements as a Whole**

36. With respect to the supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

**Required Supplementary Information**

37. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



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Robert Lohff, Superintendent



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Barbara Fisher, Office Manager