

**Mid Peninsula School District**  
**Notes to Financial Statements**  
June 30, 2018

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

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

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

Plan Year Ended September 30	Amount
2018	\$ (7,476)
2019	\$ (7,476)
2020	\$ (7,476)
2021	\$ (7,476)
2022	\$ (994)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
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.

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

*Notes:*

- *Assumption changes as a result of an experience study for the period 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 OPEB 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.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers].*
- *Recognition period for assets in years is 5.0000.*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).*

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return pools	15.5%	5.0%
Short-Term Investment Pools	2.0%	-0.9%
<b>TOTAL</b>	<b>100.0%</b>	

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

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**Discount Rate**

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<u><b>6.5%</b></u>	<u><b>7.5%</b></u>	<u><b>8.5%</b></u>
\$1,089,259	\$929,966	\$794,776

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

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

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<u><b>6.5%</b></u>	<u><b>7.5%</b></u>	<u><b>8.5%</b></u>
\$787,556	\$929,966	\$1,091,663

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERSCAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

Mid Peninsula School District reported no payables to the defined benefit OPEB plan as of June 30, 2018.

**Mid Peninsula School District**  
Notes to Financial Statements  
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**NOTE H DEFERRED OUTFLOW (INFLOW) OF RESOURCES**

The School District's deferred outflow of resources at June 30, 2018, consisted of:

	Governmental Funds	District-wide Funds
Pension	\$ -	\$ 613,617
OPEB	-	9,722
	<u>\$ -</u>	<u>\$ 623,339</u>

The School District's deferred inflow of resources at June 30, 2018, consisted of:

	Governmental Funds	District-wide Funds
Pension	\$ -	\$ 272,131
State aide funding for pensions	-	104,859
OPEB	-	31,439
	<u>\$ -</u>	<u>\$ 408,429</u>

**NOTE I INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS**

The Interfund receivables and payables during the year ending June 30, 2018 were as follows:

	Receivable	Payable
Food services	\$ 6,225	\$ -
General	-	6,124
Debt retirement	-	101
	<u>\$ 6,225</u>	<u>\$ 6,225</u>

**NOTE J INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS**

The Interfund transfers during the year ending June 30, 2018 were as follows:

	Transfers Out	Transfers In
General	\$ 30,000	\$ -
Hot Lunch	-	30,000
	<u>\$ 30,000</u>	<u>\$ 30,000</u>

**NOTE K RISK MANAGEMENT**

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

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

Management estimates that the amount or potential claims against the School District as of June 30, 2018 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Mid Peninsula School District**  
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**NOTE L OPERATING LEASES**

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$2,724. The following are the requirements for charges due with the remaining term of the contract:

2018                      \$ 2,724

**NOTE M FUND BALANCES**

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

<u>Non-Spendable</u>			
Inventory	\$	-	
Prepays		-	
		-	
	\$	-	
<u>Committed</u>			
<i>General:</i>			
Compensated absences	\$	-	
		-	
	\$	-	
<u>Restricted</u>			
Debt service	\$	92,075	
Hot lunch		737	
Athletics		567	
		567	
	\$	93,379	

**NOTE N UNEMPLOYMENT COMPENSATION**

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

**NOTE O STUDENT ACTIVITIES FUND**

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

**NOTE P SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE**

A \$700,000 State Aid Anticipation Note payable to First Bank Upper Michigan is payable at the rate of 2.49% and is due June 21, 2019. The detail is as follows:

	<u>Interest</u>	<u>Proceeds</u>	<u>Amount Due</u>	
State Aide Note Series C	1.20%	\$ 700,000	\$ 700,000	
	Balance			Balance
	<u>7/1/2017</u>	<u>Additional</u>	<u>Disposal</u>	<u>6/30/2018</u>
	<u>\$ 725,000</u>	<u>\$ 700,000</u>	<u>\$ 725,000</u>	<u>\$ 700,000</u>

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**NOTE Q ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was issued by the GASB in June 2016 and is effective for the School District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other than postemployment (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past services and the assets (most investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

Statement No. 75 requires cost sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost sharing plan. The Statement also improves the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Net position as of the beginning of the year was restated to reflect the beginning net pension liability for the prior period.

As of July 1, 2017 the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which addresses reporting by Governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

**NOTE R UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use-lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

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**Required Supplemental Information**

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**Mid Peninsula School District**  
**Required Supplemental Information**  
 Budgetary Comparison Schedule - General Fund  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Budget		
<b>REVENUE</b>				
Local sources	\$ 380,000	\$ 665,255	\$ 683,335	\$ 18,080
State sources	1,086,886	1,011,856	996,765	(15,091)
Federal sources	161,692	77,983	49,775	(28,208)
<b>Total Revenue</b>	<u>1,628,578</u>	<u>1,755,094</u>	<u>1,729,875</u>	<u>(25,219)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	797,552	940,098	851,697	88,401
Supporting service	726,089	722,005	704,377	17,628
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>1,523,641</u>	<u>1,662,103</u>	<u>1,556,074</u>	<u>106,029</u>
 <b>Excess of Revenues- (Expenditures)</b>	 <u>104,937</u>	 <u>92,991</u>	 <u>173,801</u>	 <u>80,810</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	(43,166)	(30,000)	13,166
Note payable	-	(16,850)	(16,829)	21
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(60,016)</u>	<u>(46,829)</u>	<u>13,187</u>
 Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses	 104,937	 32,975	 126,972	 93,997
Fund Balance Beginning of Year	<u>78,665</u>	<u>78,665</u>	<u>78,665</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 183,602</u>	<u>\$ 111,640</u>	<u>\$ 205,637</u>	<u>\$ 93,997</u>

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

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

	2023	2022	2021	2020	2019
Statutory required contributions					
Contributions in relation to statutory required contributions					
Contribution deficiency (excess)					
School's covered employee payroll					
Contributions as a percentage of covered employee payroll					

**Note Disclosures:**

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2017

Change of Assumptions - there were no changes in 2017

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

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

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

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

**Note Disclosures:**

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS which may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2017

Change of Assumptions - there were no changes in 2017

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

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

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

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

**Note Disclosures:**

\*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

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

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

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

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

**Note Disclosures:**

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

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

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**Other Supplemental Information**

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**Mid Peninsula School District**  
 Budgetary Schedule of Revenue  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Local Sources			
Property tax levy		\$ 638,159	
Athletics		14,947	
Interest income		5,178	
Miscellaneous income		25,051	
<b>Total Local Sources</b>	<u>665,255</u>	<u>683,335</u>	<u>18,080</u>
State Sources			
State Aid - Foundation Grant		664,142	
Other State Aid			
Rate stabilization MPSERS		151,646	
Special education		15,292	
School readiness		82,202	
At Risk grant and miscellaneous		83,483	
<b>Total State Sources</b>	<u>1,011,856</u>	<u>996,765</u>	<u>(15,091)</u>
Federal Sources			
Title I		39,534	
Title IIA		4,057	
Miscellaneous		6,184	
<b>Total Federal Sources</b>	<u>77,983</u>	<u>49,775</u>	<u>(28,208)</u>
<b>TOTAL REVENUE</b>	<u>\$ 1,755,094</u>	<u>\$ 1,729,875</u>	<u>\$ (25,219)</u>

**Mid Peninsula School District**  
 Budgetary Comparison Schedule of Expenditures  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>INSTRUCTION BASIC</b>			
<b>Elementary</b>			
Salaries			
Teacher		\$ 129,209	
Teacher substitute		457	
Retirement		100,846	
FICA		10,344	
Health and accident insurance		22,776	
Instructional services		15,198	
Local travel		150	
Dues and fees		40	
Equipment repair		3,166	
Workers comp		666	
Miscellaneous expense		670	
Miscellaneous supplies		484	
<b>Total Elementary</b>	<u>314,590</u>	<u>284,006</u>	<u>30,584</u>
<b>High School</b>			
Salaries			
Teacher		143,126	
Teacher substitute		1,840	
Health and accident insurance		21,732	
Retirement		93,076	
FICA		9,496	
Workers comp		666	
Instructional services		6,591	
Other professional contracts		3,860	
Local travel		405	
Dues and fees		26	
Tuition dual enrollment		9,613	
Equipment repair		3,166	
Payment to other public Schools		2,258	
Supplies and miscellaneous		18,105	
<b>Total High School</b>	<u>345,988</u>	<u>313,960</u>	<u>32,028</u>

**Mid Peninsula School District**  
 Budgetary Comparison Schedule of Expenditures (continued)  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Michigan Readiness</b>			
Salaries			
Teacher		46,950	
Retirement		11,951	
FICA		3,554	
Contracted service		316	
Supplies		480	
Early childhood specialist		3,750	
<b>Total Michigan Readiness</b>	<u>74,599</u>	<u>67,001</u>	<u>7,598</u>
<b>Total Instruction Basic</b>	<u>735,177</u>	<u>664,967</u>	<u>70,210</u>
 <b>INSTRUCTION ADDED NEEDS</b>			
<b>Special Education</b>			
Salaries			
Teacher		17,960	
Retirement		4,574	
FICA		1,139	
Health and accident insurance		8,652	
Instructional services		784	
Other professional contracts		20,948	
<b>Total Special Education</b>	<u>59,818</u>	<u>54,057</u>	<u>5,761</u>
 <b>At Risk</b>			
Salaries			
Teacher		46,884	
Retirement		10,842	
FICA		3,586	
Other professional contracts		21,111	
Supplies and miscellaneous		1,060	
<b>Total at Risk</b>	<u>83,709</u>	<u>83,483</u>	<u>226</u>

**Mid Peninsula School District**  
 Budgetary Comparison Schedule of Expenditures (continued)  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Title I Part A</b>			
Salaries			
Teacher		\$ 22,940	
Retirement		5,481	
FICA		1,724	
Health and accident insurance		2,769	
Purchased services		6,035	
<b>Total Title I Part A</b>	51,120	38,949	12,171
<b>Title II Part A</b>			
Salary			
Teacher		3,060	
Retirement		810	
FICA		187	
<b>Total Title II Part A</b>	4,090	4,057	33
<b>Small Rural Schools</b>			
Miscellaneous		6,184	
<b>Total Small Rural Schools</b>	6,184	6,184	-
<b>Total Instruction Added Needs</b>	<b>204,921</b>	<b>186,730</b>	<b>18,191</b>
 <b>TOTAL BASIC AND ADDED NEEDS</b>	<b>\$ 940,098</b>	<b>\$ 851,697</b>	<b>\$ 88,401</b>

**Mid Peninsula School District**  
 Budgetary Comparison Schedule of Expenditures (continued)  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>SUPPORTING SERVICES ADMINISTRATION</b>			
<b>Board of Education</b>			
Board member compensation		1,584	
Legal expense		2,325	
Audit costs		5,300	
Other professional contracts		5,526	
Workshop and conferences		877	
Advertising		5,076	
Dues and fees		1,096	
Miscellaneous expense		250	
<b>Total Board of Education</b>	<u>22,034</u>	<u>22,034</u>	<u>-</u>
<b>Executive Administration</b>			
Salaries			
Superintendent		70,700	
Secretarial		21,618	
Severance pay		4,279	
Health and accident insurance		6,624	
Other insurance		1,273	
Retirement		23,443	
FICA		7,080	
Local travel		1,926	
Postage		532	
Office supplies		68	
Dues and fees		1,423	
Miscellaneous expense		2,989	
<b>Total Executive Administration</b>	<u>141,955</u>	<u>141,955</u>	<u>-</u>
<b>Principal</b>			
Salaries			
Principal		30,623	
Other administration salaries		551	
Secretarial		21,619	
Other temporary salaries		3,863	
Health and accident insurance		6,636	
Other insurance		2,664	
Retirement		13,965	
FICA		4,038	
Local travel		883	
Dues and fees		695	
Miscellaneous expense		956	
Other professional contracts		678	
<b>Total Principal</b>	<u>87,420</u>	<u>87,171</u>	<u>249</u>

**Mid Peninsula School District**  
 Budgetary Comparison Schedule of Expenditures (continued)  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Fiscal Services</b>			
Salaries			
Business manager		52,855	
Health and accident insurance		13,260	
Other insurance		945	
Retirement		13,435	
FICA		3,544	
Michigan Readiness - purchased services		6,240	
<b>Total Fiscal Services</b>	<u>91,800</u>	<u>90,279</u>	<u>1,521</u>
<b>Operations Building Services</b>			
Salaries			
Custodial		20,503	
Other temporary salaries		1,733	
Dental and vision insurance		120	
Retirement		5,478	
FICA		1,665	
Workers comp		471	
Instructional services		45,569	
Other professional contracts		12,931	
Telephone		3,641	
Waste disposal		3,518	
Property/liability insurance		16,736	
Natural gas		16,084	
Electricity		27,277	
Equipment and furniture		5,130	
Michigan Readiness - utilities		4,249	
Miscellaneous supplies		12,764	
<b>Total Operations Building Services</b>	<u>190,370</u>	<u>177,869</u>	<u>12,501</u>
<b>Pupil Transportation</b>			
Other professional contracts		100,866	
Michigan Readiness - transportation		4,557	
<b>Total Pupil Transportation</b>	<u>106,222</u>	<u>105,423</u>	<u>799</u>

**Mid Peninsula School District**  
 Budgetary Comparison Schedule of Expenditures (continued)  
 General Fund  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Community Services</b>			
Michigan School Readiness		156	
Title I Part A		585	
<b>Total Community Services</b>	<u>2,019</u>	<u>741</u>	<u>1,278</u>
<b>Other Business Services</b>			
Interest expenses notes		6,435	
<b>Total Other Business Services</b>	<u>6,500</u>	<u>6,435</u>	<u>65</u>
<b>Athletics</b>			
Salaries			
Coaching wages		32,616	
Other temporary salaries		5,826	
Retirement		9,591	
FICA		2,874	
Purchased contracts		16,357	
Local travel		529	
Supplies and materials		1,753	
Dues and fees		2,275	
Miscellaneous		649	
<b>Total Athletics</b>	<u>73,685</u>	<u>72,470</u>	<u>1,215</u>
<b>Total Supporting Services</b>	<u>722,005</u>	<u>704,377</u>	<u>17,628</u>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<u><u>\$ 1,662,103</u></u>	<u><u>\$ 1,556,074</u></u>	<u><u>\$ 106,029</u></u>

JOHNSON & RENNIE, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governmental activities, each major fund and the aggregate remaining fund information of Mid Peninsula School District as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Mid Peninsula School District basic financial statements and have issued our report thereon dated October 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002 that we consider to be a significant deficiency.

Compliance and other Matters

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

School's Response to Findings

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

Purpose of this Report

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

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



Johnson and Rennie, LLC  
Menominee, Michigan  
October 12, 2018

**Mid Peninsula School District**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

**#2018-002 – Segregation of Duties**

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

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

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

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

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

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

**Mid Peninsula School District**  
Schedule of Prior Findings and Responses  
For the Year Ended June 30, 2018

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**#2017-001 - Ability to Prepare Financial Statements and Related Note Disclosures**

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

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

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

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

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

**#2017-002 – Segregation of Duties**

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

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

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

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

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

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

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October 12, 2018

Mid Peninsula School District  
Board of Education  
Rock, Michigan

We have audited the financial statements of Mid Peninsula School District, for the year ended June 30, 2018 and have issued our report thereon dated October 12, 2018. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated April 28, 2017, our responsibility as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement.

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

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

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 12, 2018, regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 12, 2018.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

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

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

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

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

The most sensitive estimate affecting the financial statements was the School District's share of the MPERS and OPEB pension plans net pension liability recorded on the government-wide statements for the implementation of GASB Statement No. 75. The School District's estimate as of June 30, 2018 is \$3.6 million and is based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

### ***Difficulties Encountered in Performing the Audit***

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

### ***Disagreements with Management***

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

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

### ***Corrected and Uncorrected Misstatements***

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

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

***Significant Finding or Issues***

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

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 12, 2018.

***Management Consultations with Other Independent Accountants***

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

Very truly yours,



Johnson & Rennie, LLC  
Menominee, Michigan  
October 12, 2018