

Mid Peninsula School District

**Audited Financial Statements and
Additional Supplemental Information**

For the Year Ended

June 30, 2020

Johnson & Rennie, LLC

Certified Public Accountants

Mid Peninsula School District

Rock, Michigan

Mid Peninsula School District
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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

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

INDEPENDENT AUDITOR'S REPORT

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mid Peninsula School District, Rock, Michigan as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the School District basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mid Peninsula School District as of June 30, 2020, and the respective changes in financial position where applicable, thereof for the year then ended, accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

The basic financial statements, as of July 1, 2019 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Funding Activities*. The School Districts unrestricted net position has been restated as of July 1, 2019 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

OTHER – MATTERS

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mid Peninsula School District, Rock, Michigan, basic financial statements. The other supplemental information as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report letter dated October 23, 2020, on our consideration of the School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Mid Peninsula School District’s internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mid Peninsula School District internal control over financial reporting and compliance.

Johnson + Rennie LLC

Johnson & Rennie, LLC
Menominee, Michigan
October 23, 2020

Mid Peninsula School District
Management's Discussion and Analysis
Year Ended June 30, 2020

Management's Discussion and Analysis

This section of the Mid Peninsula School District's annual financial report presents our discussion and analysis of the School District's performance during the year ended June 30, 2020. It is to be read in conjunction with the School District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements. These statements are organized so the reader can understand the Mid Peninsula School District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District presenting both an aggregate view of the School District's finances and a long-term view of those finances. The Fund Financial Statements provide the next level of detail. For governmental activities these statements tell how services were financed in the short-term as well as what remains for future spending. The fund Financial Statements look at the School District's operations in more detail than in the government-wide financial statements by providing information about the School District's most significant fund, the General Fund and Debt Service Fund with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about Scholarships for which the School District acts solely as an agent.

Financial Section

Basic Financial Statements

- District-wide Financial Statements

Fund Financial Statements

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

Required Supplemental Information

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

Other Supplemental Information

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

Management's Discussion and Analysis (continued)

The School District as a Whole

The following summarized the net position at fiscal year ended June 30, 2020 and June 30, 2019.

	Governmental Activities	
	2020	2019
Assets		
Current assets	\$ 1,274,476	\$ 1,093,689
Capital assets	1,805,529	1,984,814
Total Assets	<u>3,080,005</u>	<u>3,078,503</u>
Total Deferred Outflow of Resources		
Deferred Outflow of Resources - Pensions	829,766	888,212
Deferred Outflow of Resources - OPEB	223,083	76,380
Total Assets and Deferred Outflow of Resources		
Total Assets and Deferred Outflow of Resources	<u>4,132,854</u>	<u>4,043,095</u>
Liabilities		
Current liabilities	789,679	1,025,495
Long-term liabilities	3,372,681	3,278,857
Total Liabilities	<u>4,162,360</u>	<u>4,304,352</u>
Deferred Inflow of Resources		
Pensions	594,931	685,234
OPEB	407,645	352,999
Total Deferred Inflow of Resources	<u>1,002,576</u>	<u>1,038,233</u>
Total Liabilities and Inflow of Resources	<u>5,164,936</u>	<u>5,342,585</u>
Net Position		
Net investment in capital assets	1,805,529	1,753,681
Restricted	-	61,905
Unrestricted (Deficit)	(2,837,611)	(3,115,076)
Total Net Position (Deficit)	<u>\$ (1,032,082)</u>	<u>\$ (1,299,490)</u>

The above analysis focuses on the net position. The School District's net position was a deficit of \$1,032,082 as of June 30, 2020. Capital assets, net of related debt, totaled \$1,805,529. This compares to the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. The School had no debt due on assets. The remaining \$2,837,611 deficit represents the accumulated results of all past year's operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Management's Discussion and Analysis (continued)

The results of this years operations for Mid Peninsula School District as a whole are reported in the statement of activities which show the changes in net position for fiscal year 2020 and 2019.

	Government Activities	
	2020	2019
Program Revenue		
Charges for services	\$ 40,239	\$ 34,696
Operating grants and contributions	678,034	455,898
Total Program Revenue	<u>718,273</u>	<u>490,594</u>
General Revenue		
Property taxes levied for general operations and CFR	648,982	635,530
Property taxes levied for debt service and CFR	205,167	213,715
State foundation allowance and stabilization	792,920	705,667
Other school districts	-	-
Other	18,767	121,986
Total General Revenue	<u>1,665,836</u>	<u>1,676,898</u>
Total Revenue	<u>2,384,109</u>	<u>2,167,492</u>
Expenses		
Instruction	1,019,628	916,747
Support services	676,454	694,037
Depreciation - unallocated	188,285	191,672
Interest on debt	7,891	17,552
Student activities	46,352	-
Athletics	67,481	76,143
Food services	154,580	133,126
Total Expenses	<u>2,160,671</u>	<u>2,029,277</u>
(Decrease) Increase in Net Position	<u>\$ 223,438</u>	<u>\$ 138,215</u>

As indicated above, net position increased by \$223,438. This increase relates directly to the operations of the District during the year.

Sources of Revenues

Local sources of revenues totaled \$968,405 and include revenues to the General Fund of \$700,848.

State sources of revenues total \$1,135,594 and include revenues to the General Fund of \$1,128,698 and School Lunch Fund of \$6,896. State sources of revenue make up 59% of General Fund Revenues. This ties the District directly to the States overall economy.

Federal sources of revenues total \$280,110 and include revenues to the General Fund of \$71,195 and School Lunch Fund of \$208,915.

Management's Discussion and Analysis (continued)

Expenses

Government-wide expenses include instruction of \$1,019,628, Support Services of \$944,867 and Debt Services of \$7,891. School Lunch Fund and Athletic Fund expenses are included in Support Services. Unallocated depreciation was \$188,285 for the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020 the District had \$5,326,792 invested in a broad range of capital assets, including land, building, furniture and equipment.

	2020	2019
Assets		
Land	\$ 2,000	\$ 2,000
Land improvements	856,076	856,076
Buildings and land improvements	3,977,117	3,977,117
Vehicles	230,625	337,891
Machinery and equipment	260,974	251,974
Total Assets	5,326,792	5,425,058
Less Accumulated Depreciation	(3,521,263)	(3,440,244)
Net Total	\$ 1,805,529	\$ 1,984,814

There were \$9,000 in capital assets that were purchased for the year. Depreciation expense for the year is \$188,285.

Debt

At the end of this year the District had no General Obligation Bonds outstanding. This is a decrease of \$225,000 which is the result of the final payment made during the year.

The District also paid off the note payable for buses during the year.

Economic Factors and Next Year's Budget Rates

The Board of Education and administration consider many factors when setting the School District's 2020 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of unrestricted foundation allowance.

The 2020 budget was adopted in June 2019, based on an estimate of students that will be enrolled in September 2019. As a result, District funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related pupil finding is validated, state law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

Original vs. Revised Budgets

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

As a matter of practice, the District amends its budget three times during the School year. The fiscal year 2019-2020, the budget was revised in December, April and June.

General Fund Revenues

Total Revenues - June revision	\$ 1,950,994
Total Revenues - original budget	(1,684,256)
Difference	<u>\$ 266,738</u>

Increase in Revenue Budget

The Districts actual fund revenue was \$50,253 more than the revised budget.

General Fund Expenditures

Total Expenditures - June revision	\$ 1,896,905
Total Expenditures - original budget	(1,735,321)
Difference	<u>\$ 161,584</u>

Increase in Expenditures Budget

The District's actual general fund expenditures were \$90,053 less than the revised budget.

Covid-19 Budget Impact

Due to Covid-19 we took the following financial steps:

We pay a transportation company for busing. Last year we were able to save money from March 13, when the School closed until June 5, which was the last day of school.

This fiscal year we budgeted \$500 less per student and if we were to be shut down again, we would look at transportation as another savings.

Additionally we received a second round of money from the state for low income schools (\$17,000) that we are using to offset and PPE costs.

We used the first round of CARES funding to purchase additional Chromebooks to ensure internet access for all students in case of another shutdown.

We Also Adopted the Following Policies:

- Facial coverings must always be worn by staff except for meals
- Facial coverings must be worn by preK-12 students, staff and bus drivers during school transportation
- Facial coverings must always be worn in hallways and common areas by preK-12 students in the building except during meals
- Facial covering must be worn in classrooms by all students grades preK-12 unless they meet the criteria for an exception
- All students in grades preK-5 must wear facial coverings unless students remain with their classes throughout the school day and do not come into close contact with students in another class

Covid-19 Budget Impact

We Also Adopted the Following Policies: (continued)

- Facial coverings will be considered for pK-5 students and students with special needs in classrooms if area spread is present or increasing
- Frequently touched surfaces including light switches, doors, benches and bathrooms must undergo cleaning at least every four hours
- Libraries, computer labs, arts and other hand on classrooms must undergo cleaning after every class period
- Student desks must be wiped down with either EPA-approved disinfectant or diluted bleach solution after every class period
- Staff will ensure safe and correct use and storage of cleaning and disinfecting products
- Staff must wear gloves, a surgical mask and face shield when performing all deep-cleaning activities
- Students in grades 7-12 are not allowed to use lockers in order to eliminate mingling and socializing in hallways
- The District shall provide adequate supplies such as soap, hand sanitizer, paper towel, tissues and sign to reinforce proper handwashing.
- All staff will teach and reinforce handwashing
- Staff will educate other staff and students on how to cough and sneeze properly
- Cleaning staff will check and refill soap and hand sanitizers
- Teachers will schedule handwashing with soap and water every 2-3 hours
- Staff will make efforts to limit sharing of personal items
- Staff will make efforts to keep students personal items separate
- Staff will make efforts to limit use of classroom materials to small groups and disinfect between use
- The School will procure hand sanitizing stations to set up throughout school buildings divided with either side following the same direction
- The bus driver, staff and all students in grades preK-12 if medically feasible, must wear facial coverings
- The bus driver shall clean and disinfect transportation vehicles before and after every transit route
- The bus driver shall clean and disinfect frequently touched surfaces in the vehicle after morning routes and afternoon routes
- The driver shall clean, sanitize and disinfect equipment including items such as car seats, wheelchairs, walkers and adaptive equipment being transported to schools daily
- The School will work with parents to create a plan for getting students home safely if they are not allowed to board the vehicle
- If a student becomes sick during the day, they must not use group transportation to return home
- Weather permitting, keep doors and windows open. Consider keeping windows open while the vehicle is in motion – weather permitting
- Staff will make efforts to space desks apart in classrooms
- Staff will make efforts when large tables are utilized to space students as far apart as feasible
- Staff will make efforts to arrange all desks facing the same direction
- Teachers shall attempt to maintain spacing between themselves and students
- Family members or other guests are not allowed in the building or hallways unless previously scheduled with the main office
- The School will post signage to indicate proper and social distancing
- Markers shall be used at six foot intervals where line formation is anticipated
- The School will place social distancing floor/seat markings in waiting and reception areas
- The School will post signs on the doors of restrooms to remind of social distancing and hand hygiene techniques

Covid-19 Budget Impact

We Also Adopted the Following Policies: (continued)

- Adult guests (scheduled and approved) entering shall be screened for symptoms, wear a facial mask covering and wash/sanitize hands prior to entering. Strict records, including the date and time shall be kept of non-school employees or other visitors entering and exiting the building
- Staff will make efforts to keep the windows open as much as possible
- As able and appropriate, staff shall attempt to keep cohort groups of students to isolated hallways or areas that can be monitored
- "Specials" will be brought to the classrooms
- Staff will implement a school schedule that incorporates use of virtual teaching when necessary
- Efforts will be made to keep six feet of distance between people in the hallways
- Staff will make efforts to monitor arrival and dismissal to encourage spacing
- Physical education will be held outside (weather permitting) and social distancing of six feet will be encouraged to the extent possible
- Flow of foot traffic will be directed in only one direction, when possible and hallways should be divided with either side following the same direction

Property Taxes

A significant portion of local revenue is provided from property taxes and CFR for the General Fund and Debt Retirement Fund. Tax revenue totaled \$854,149. This amount is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and voter approved 8.1 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Unrestricted State Aid Foundation Allowance

The most significant portion of funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$8,111 per student for the 2019-2020 fiscal year. The number of students to be funded is calculated by student enrollment blended at 80% of current year September count and 20% of prior year February count. The overall funding is then reduced by the District's non-homestead tax levy based on 18 mills.

Contacting the District's Financial Management

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

Basic Financial Statements

Mid Peninsula School District
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 913,810
Due from other Governmental units	357,166
Due from local sources	3,500
Total Current Assets	1,274,476
Non-Current Assets	
Capital assets	5,326,792
Less: accumulated depreciation	(3,521,263)
Total Non-Current Assets	1,805,529
Total Deferred Outflow of Resources	
Deferred Outflow of Resources - Pension	829,766
Deferred Outflow of Resources - OPEB	223,083
Total Deferred Outflow of Resources	1,052,849
Total Assets and Deferred Outflow	4,132,854
LIABILITIES	
Current Liabilities	
Accounts payable	29,095
Accrued salaries and benefits	52,584
Notes payable	708,000
Total Current Liabilities	789,679
Non-Current Liabilities	
Net pension liability	2,753,470
Net OPEB liability	619,211
Total Non-Current Liabilities	3,372,681
Total Liabilities	4,162,360
Deferred Inflow of Resources	
Pension	498,364
OPEB	407,645
State aide funding for pension	96,567
Total Deferred Inflow of Resources	1,002,576
Net Position	
Net investment in capital assets	1,805,529
Restricted for debt service	-
Unrestricted	(2,837,611)
Total Net Position	\$ (1,032,082)

Mid Peninsula School District
Statement Activities
June 30, 2020

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL FUNCTIONS				
Current:				
Instruction	\$ (1,019,628)	\$ -	\$ 406,973	\$ (612,655)
Supporting services	(676,454)	15,692	-	(660,762)
Food services	(154,580)	6,848	215,811	68,079
Athletics	(67,481)	17,699	-	(49,782)
Student activities	(46,352)	-	55,250	8,898
Interest on long-term debt	(7,891)	-	-	(7,891)
Depreciation (unallocated)	(188,285)	-	-	(188,285)
Total Governmental Functions	<u>\$ (2,160,671)</u>	<u>\$ 40,239</u>	<u>\$ 678,034</u>	<u>(1,442,398)</u>
GENERAL REVENUE				
Property Taxes:				
General purposes				648,982
Debt services				205,167
State aid not restricted for specific purpose				792,920
Interest and investment earnings				6,555
Other				12,212
Total General Revenue				<u>1,665,836</u>
Change in Net Position				<u>223,438</u>
Net Position - Beginning of Year				(1,299,490)
Cumulative Change in Accounting				
Implementation of GASB-84				<u>43,970</u>
Net Position - End of Year				<u>\$ (1,032,082)</u>

Mid Peninsula School District
Balance Sheet
Governmental Funds
June 30, 2020

	Major		Non-Major	Total
	General	Debt Service Fund	Revenue Fund	
Assets				
Cash and investments	\$ 849,310	\$ -	\$ 64,500	\$ 913,810
Accounts receivable	3,500	-	-	3,500
Due from other Governmental units	314,589	-	42,577	357,166
Due from other funds	-	-	28,147	28,147
Total Assets	\$ 1,167,399	\$ -	\$ 135,224	\$ 1,302,623
Liabilities, Deferred Inflow of Resources and Fund Equity				
Liabilities				
Accounts payable	\$ 23,433	\$ -	\$ 5,662	\$ 29,095
Due to other funds	28,147	-	-	28,147
Accrued salaries and benefits	45,155	-	7,429	52,584
Notes payable	708,000	-	-	708,000
Total Liabilities	804,735	-	13,091	817,826
Deferred Inflow of Resources				
Unavailable Revenue				
Federal and State Grants	-	-	-	-
Fund Balance				
Non-spendable prepaids	-	-	-	-
Restricted for debt retirement	-	-	-	-
Restricted for food service	-	-	69,265	69,265
Restricted for athletics	212	-	-	212
Committed to activities	-	-	52,868	52,868
Unassigned	362,452	-	-	362,452
Total Fund Balance	362,664	-	122,133	484,797
Total Deferred Inflow of Resources and Fund Equity	\$ 1,167,399	\$ -	\$ 135,224	\$ 1,302,623

Mid Peninsula School District
Reconciliation of the Governmental Funds
Balance Sheet with the Statement of Net Position
June 30, 2020

Total Governmental Fund Balance \$ 484,797

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

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

The Cost of Capital Assets are:	\$ 5,326,792	
Accumulated Depreciation is:	<u>(3,521,263)</u>	1,805,529

Net pension obligations are not due and payable in the current period and therefore, are not reported in the funds

Net Pension Liability	(2,753,470)
Net OPEB Liability	(619,211)

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

Deferred Outflows of Resources Related to Pensions	829,766
Deferred Outflows of Resources Related to OPEB	223,083
Deferred Inflows of Resources Related to Pensions	(498,364)
Deferred Inflows of Resources Related to OPEB	(407,645)
Deferred inflows from state aide funding	<u>(96,567)</u>

Net Position of Governmental Activities **\$ (1,032,082)**

Mid Peninsula School District
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended
June 30, 2020

	Major		Non-Major	Total
	General Fund	Debt Service Fund	Revenue Funds	
REVENUES				
Local sources	\$ 700,848	\$ 205,450	\$ 62,107	\$ 968,405
State sources	1,128,698	-	6,896	1,135,594
Federal sources	71,195	-	208,915	280,110
Other school districts	-	-	-	-
Total Revenues	<u>1,900,741</u>	<u>205,450</u>	<u>277,918</u>	<u>2,384,109</u>
EXPENDITURES				
Current:				
Instruction	1,037,682	-	-	1,037,682
Supporting service	755,971	-	-	755,971
Food Services	-	-	154,580	154,580
Activities	-	-	46,352	46,352
Debt service:				
Principal retirement	4,199	225,000	-	229,199
Interest	-	9,825	-	9,825
Capital outlay	9,000	-	-	9,000
Total Expenditures	<u>1,806,852</u>	<u>234,825</u>	<u>200,932</u>	<u>2,242,609</u>
Excess of Revenues - Expenditures	93,889	(29,375)	76,986	141,500
OTHER FINANCE SOURCES (USES)				
Operating transfers in	32,530	-	-	32,530
Operating transfers, out	-	(32,530)	-	(32,530)
Total Other Finances Sources (Uses)	<u>32,530</u>	<u>(32,530)</u>	<u>-</u>	<u>-</u>
Excess Revenues and Other Resources Over (Under) Expenditures & Other Uses	126,419	(61,905)	76,986	141,500
Fund Balance July 1	236,245	61,905	1,177	299,327
Cumulative Effect of Change in Accounting Implementation of GASB 84	-	-	43,970	43,970
Fund Balance June 30	<u>\$ 362,664</u>	<u>\$ -</u>	<u>\$ 122,133</u>	<u>\$ 484,797</u>

Mid Peninsula School District
 Reconciliation of the Statement of Revenue, Expenditures
 and Change in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2020

Net Changes in Fund Balances - Total Governmental Funds **\$ 141,500**

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

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

Depreciation Expense	\$ (188,285)	
Capital Outlay	<u>9,000</u>	(179,285)

Accrued interest is recorded in the statement of activities when incurred. It is not reported in the Governmental Funds until paid.	1,620
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Repayments of bond principal area an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

Loan Repayment - Bus	4,513
Bond Payable - Building and Site	225,000

In the statement of activities, operating expenses for pension related items are measured by amounts earned during the year while governmental funds report expenditures as amounts paid. This year the amount paid for pension related items was more than the amount earned.	(49,792)
--	----------

In the statement of activities, operating expenses for OPEB related items are measured by amounts earned during the year while governmental funds report expenditures as amounts paid. The amount paid for OPEB related items was less than the amount earned.	<u>79,882</u>
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Change in Net Position as Governmental Activities	<u>\$ 223,438</u>
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Mid Peninsula School District
Statement of Fiduciary Net Position
Year Ended June 30, 2020

Statement of Fiduciary Net Position

	Private-Purpose Trust	Scholarships	Total
ASSETS			
Cash	\$ 299,474	\$ 26,118	\$ 325,592
Total Assets	<u>\$ 299,474</u>	<u>\$ 26,118</u>	<u>\$ 325,592</u>
NET POSITION			
Reserve for scholarships	\$ 299,474	\$ 26,118	\$ 325,592
Total Liabilities and Net Position	<u>\$ 299,474</u>	<u>\$ 26,118</u>	<u>\$ 325,592</u>

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund

	Private-Purpose Trust	Scholarships	Total
Investment income	\$ 206	\$ 12,300	\$ 12,506
Contributions	5,300	-	5,300
Total Revenues	<u>5,506</u>	<u>12,300</u>	<u>17,806</u>
EXPENDITURES			
Scholarships	(26,600)	(16,800)	(43,400)
Total Expenditures	<u>(26,600)</u>	<u>(16,800)</u>	<u>(43,400)</u>
Excess Revenue Over (Under) Expenditures	(21,094)	(4,500)	(25,594)
Net Position			
Beginning Balance July 1	320,568	30,618	351,186
Ending Balance June 30	<u>\$ 299,474</u>	<u>\$ 26,118</u>	<u>\$ 325,592</u>

Notes to Financial Statements

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

District-Wide Financial Statements

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

Fund-Based Financial Statements

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

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

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

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

Special Revenue Fund - is used by the School District to account for food services and is used to account for assets held by the School District in its capacity as a receiving and paying agent for activity groups.

Fiduciary Funds

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

Agency Fund – is used for scholarship money held by the School District

Basis of Accounting

District-Wide Financial Statements

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

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

Fund-Based Financial Statements

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Fund-Based Financial Statements (continued)

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

Property Taxes

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

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

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2019 are state appropriations for the year ended June 30, 2020, and, as such, are recorded as accounts receivable.

State Categorical Revenue

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

Federal Revenue

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

Cash and Cash Equivalents

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

Short-Term Interfund Receivables and Payables

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

Restricted Assets

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

Inventories and Prepaid Items

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

Capital Assets and Depreciation

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

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

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

Deferred Outflows/Inflows of Resources

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

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Unemployment Insurance

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

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net position. Amounts are recorded at face value along with any accrued interest to June 30, 2020.

Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

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

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

Use of Estimates

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

Subsequent Events

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

NOTE B

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2020.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School Districts actual revenues will deviate from those budgeted or if the School District's expenditures will exceed the amount appropriated. During the year ended June 30, 2020, the School District monitored and amended its budget and was in substantial compliance with the Act.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)
Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2020.

NOTE C CASH AND INVESTMENTS

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

At June 30, 2020, cash and investments on deposit total is as follows:

<u>Investments</u>	
Financial Institutions	\$ 779,050
Municipal Fund	256,414
Foundations - Agency Funds	<u>291,704</u>
	<u>\$ 1,327,168</u>

The amount covered by depository insurance of \$256,587 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. An amount of \$256,414 was deposited in some uninsured municipal funds. The municipal investment funds are not subject to credit risk categorization. The School District places its deposits and investments in some uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

The School District investments at June 30, 2020 consisted of US Treasury Bonds. This investment amounted to \$1,088 in the Private-Purpose Trust Fund.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE D

CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Balance 6/30/19	Additions	Disposals and Adjustments	Balance 6/30/20
Assets not being Depr:				
Land	\$ 2,000	\$ -	\$ -	2,000
Capital Assets being Depr:				
Bldg & bldg improvement	3,977,117	-	-	3,977,117
Land improvement	856,076	-	-	856,076
Vehicles	337,891	-	107,266	230,625
Equipment	251,974	9,000	-	260,974
Total	<u>5,425,058</u>	<u>9,000</u>	<u>107,266</u>	<u>5,326,792</u>
Accumulated Depreciation:				
Bldg & bldg improvement	2,366,630	112,729	-	2,479,359
Land improvement	657,462	41,788	-	699,250
Vehicles	259,972	23,063	107,266	175,769
Equipment	156,180	10,705	-	166,885
Total	<u>3,440,244</u>	<u>188,285</u>	<u>107,266</u>	<u>3,521,263</u>
Net Capital Assets	<u>\$ 1,984,814</u>	<u>\$ (179,285)</u>	<u>\$ -</u>	<u>\$ 1,805,529</u>

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

NOTE E

LONG-TERM DEBT

Changes in Long-Term Debt are summarized as follows:

	Balance 6/30/19	Additions	Deductions	Balance 6/30/20
Notes payable for:				
School bldg & site bonds	\$ 225,000	\$ -	\$ 225,000	\$ -
Compensated absences	-	-	-	-
Note payable	4,513	-	4,513	-
School bond loan fund	-	-	-	-
	<u>\$ 229,513</u>	<u>\$ -</u>	<u>\$ 229,513</u>	<u>\$ -</u>

School Building and Site Bonds

On July 24, 2008, the School District issued \$1,935,000 of School Building and Site Bonds for renovation of the School. The final payment on the Bonds was made the fiscal year ended.

Note Payable Bus

The School District has a note payable to First Bank for the purchase of a bus. The loan was paid off in the fiscal year ended.

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick pay upon termination of their employment. There were no eligible employees at June 30, 2020.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

PLAN DESCRIPTION

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

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	18.25%
Member Investment Plan	3.0-7.0%	18.25%
Pension Plus Plan	3.0-6.4%	16.46%
Pension Plus 2 Plan	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from Mid Peninsula School District were \$220,877 for the year ended September 30, 2019.

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

At June 30, 2019, Mid Peninsula School District reported a liability of \$2,753,470 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. Mid Peninsula School District's proportion of the net pension liability was determined by dividing each employers statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, Mid Peninsula School District proportion was .0831446 percent, which was an increase of .005733 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, Mid Peninsula School District's recognized pension expense of \$295,168. At June 30, 2020, Mid Peninsula School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 12,342	\$ 11,482
Changes of assumptions	539,131	-
Net difference between projected and actual earnings on pension plan investments	-	88,244
Changes in proportion and differences between Mid Peninsula Public Schools contributions and proportionate share of contributions	77	398,638
Mid Peninsula Public Schools contributions subsequent to the measurement date	278,216	-
	<u>\$ 829,766</u>	<u>\$ 498,364</u>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

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

Plan Year Ended Plan Year	Amount
2020	\$ 21,041
2021	\$ 1,867
2022	\$ 10,771
2023	\$ 19,507

Actuarial Assumptions

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

Additional information as of the latest actual valuation as follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2018
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	
-MIP and Basic Plans	6.80%
-Pension Plus Plan	6.80%
-Pension Plus 2 Plan	6.00%
Projected Salary Increases	2.75-11.55%, including wage inflation at 2.75%
Cost of Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	<p>Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.</p> <p>Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.</p>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Summary of Actuarial Assumptions (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977 for non-university employers 1.0000 for university employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2019 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, 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%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return pools	15.5%	5.4%
Short-Term Investment Pools	2.0%	0.8%
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only) This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Discount Rate (continued)

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

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

The following presents Mid Peninsula School District proportionate share of the net pension liability, calculated using a discount rate of 6.80% (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan), as well as what Mid Peninsula School District proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>5.80% / 5.80%/5.00%</u>	<u>6.80% / 6.80%/6.00%</u>	<u>7.80% / 7.80%/7.00%</u>
\$3,579,687	\$2,753,470	\$2,068,507

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

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

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

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

At June 30, 2020, the District reported no payable amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE G - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Plan Description

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

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Plan Description (continued)

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

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

Benefits Provided

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

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

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

Contributions

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

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Contributions (continued)

Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	7.93%
Personal Healthcare Fund	0.00%	7.57%

Required contributions to the OPEB plan from Mid Peninsula School District were \$59,232 for the year ended September 30, 2019.

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

At June 30, 2020, Mid Peninsula School District reported a liability of \$619,211 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. Mid Peninsula School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, Mid Peninsula School District's proportion was .0862681 percent which was an increase of .099013 percent from its proportion measured as of October 1, 2018.

For the year ending June 30, 2020, Mid Peninsula School District recognized OPEB expense of (\$15,688). At June 30, 2020, Mid Peninsula School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 227,206
Changes of assumptions	134,170	-
Net difference between projected and actual earnings on pension plan investments	-	10,768
Changes in proportion and differences between employer contributions and proportionate share of contributions	72,924	169,671
Employer contributions subsequent to the measurement date	15,989	-
	<u>\$ 223,083</u>	<u>\$ 407,645</u>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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, 2021. 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	Amount
2020	\$ (60,353)
2021	\$ (60,353)
2022	\$ (55,038)
2023	\$ (28,062)
2024	\$ 3,255

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, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	<p>Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.</p> <p>Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.</p>

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: [5.7101 for non-university employers or 1.1641 for university employers].
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, 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%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return pools	15.5%	5.4%
Short-Term Investment Pools	2.0%	0.8%
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

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

Discount Rate

A discount rate of 6.95% 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 6.95%. 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 6.95%, as well as what Mid Peninsula School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1-percentage-point higher:

1% Decrease	Current Discount Rate	1% Increase
<u>5.95%</u>	<u>6.95%</u>	<u>7.95%</u>
\$759,555	\$619,211	\$501,360

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$496,364</u>	<u>\$619,211</u>	<u>\$759,538</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERSCAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Mid Peninsula School District reported no payables to the defined benefit OPEB plan as of June 30, 2020.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE H DEFERRED OUTFLOW (INFLOW) OF RESOURCES

The School District's deferred outflow of resources at June 30, 2020, consisted of:

	Governmental Funds	District-wide Funds
Pension	\$ -	\$ 829,766
OPEB	-	223,083
	\$ -	\$ 1,052,849

The School District's deferred inflow of resources at June 30, 2020, consisted of:

	Governmental Funds	District-wide Funds
Pension	\$ -	\$ 498,364
State aide funding for pensions	-	96,567
OPEB	-	407,645
	\$ -	\$ 1,002,576

NOTE I INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

The Interfund receivables and payables during the year ending June 30, 2020 were as follows:

	Receivable	Payable
Food services	\$ 28,147	\$ -
General	-	28,147
	\$ 28,147	\$ 28,147

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

NOTE J INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

The Interfund transfers during the year ending June 30, 2020 were as follows:

	Transfers Out	Transfers In
General	\$ -	\$ 32,530
Debt retirement	32,530	-
	\$ 32,530	\$ 32,530

The purpose of the transfer was to close the debt retirement fund.

NOTE K RISK MANAGEMENT

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

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

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE K RISK MANAGEMENT (continued)

Management estimates that the amount or potential claims against the School District as of June 30, 2020 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L OPERATING LEASES

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$2,511 and have future amount due as follows:

2021	\$ 2,739
2022	\$ 2,739
2023	\$ 2,739
2024	\$ 2,739
2025	\$ 230

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>		
Activity accounts	\$	52,868
		52,868
	\$	52,868
<u>Restricted</u>		
Hot lunch	\$	69,265
Athletics		212
		69,477
	\$	69,477

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.

Mid Peninsula School District
Notes to Financial Statements
June 30, 2020

NOTE O SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

A \$708,000 State Aid Anticipation Note payable to BayBank, Gladstone Michigan, is payable at the rate of 1.39% and is due June 22, 2021. The detail is as follows:

	<u>Interest</u>	<u>Proceeds</u>	<u>Amount Due</u>	
State Aide Note	1.39%	\$ 708,000	\$ 708,000	
	<u>Balance</u>	<u>Additional</u>	<u>Disposal</u>	<u>Balance</u>
	<u>7/1/2018</u>	<u>\$ 708,000</u>	<u>\$ 725,000</u>	<u>6/30/2019</u>
	<u>\$ 725,000</u>	<u>\$ 708,000</u>	<u>\$ 725,000</u>	<u>\$ 708,000</u>

NOTE P ADOPTED 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 provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021. The School elected early adoption.

NOTE Q UPCOMING ACCOUNTING PRONOUNCEMENTS

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

Required Supplemental Information

Mid Peninsula School District
Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Budget		
REVENUE				
Local sources	\$ 600,000	\$ 697,164	\$ 700,848	\$ 3,684
State sources	1,028,104	1,167,332	1,128,698	(38,634)
Federal sources	56,152	86,498	71,195	(15,303)
Total Revenue	<u>1,684,256</u>	<u>1,950,994</u>	<u>1,900,741</u>	<u>(50,253)</u>
EXPENDITURES				
Current:				
Instruction	918,933	1,099,104	1,037,682	61,422
Supporting service	816,388	784,601	755,971	28,630
Debt retirement	-	4,200	4,199	1
Capital outlay	-	9,000	9,000	-
Total Expenditures	<u>1,735,321</u>	<u>1,896,905</u>	<u>1,806,852</u>	<u>90,053</u>
Excess of Revenues- (Expenditures)	<u>(51,065)</u>	<u>54,089</u>	<u>93,889</u>	<u>39,800</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	32,530	32,530
Operating transfers out	-	(57,787)	-	57,787
Total Other Financing Sources (Uses)	<u>-</u>	<u>(57,787)</u>	<u>32,530</u>	<u>90,317</u>
Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses	(51,065)	(3,698)	126,419	130,117
Fund Balance Beginning of Year	<u>236,245</u>	<u>236,245</u>	<u>236,245</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 185,180</u>	<u>\$ 232,547</u>	<u>\$ 362,664</u>	<u>\$ 130,117</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				\$ 181,649	\$ 142,551
Contributions in relation to statutory required contributions				<u>181,649</u>	<u>142,551</u>
Contribution deficiency (excess)				<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll				<u>\$ 802,019</u>	<u>\$ 760,139</u>
Contributions as a percentage of covered employee payroll				22.65%	18.75%

Note Disclosures:

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

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

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2015.

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

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

	2023	2022	2021	2020	2019
Proportion of net pension liability %					.08314
Proportionate share of net pension liability					\$ 2,753,470
Covered employee payroll					\$ 758,460
Proportionate share of net pension liability as a percentage of its covered employee payroll %					363.03%
Plan fiduciary net position as a percentage of total pension liability					60.31%

Note Disclosures:

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

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

For university employers

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

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

	2022	2021	2020	2019	2018
Statutory required OPEB contributions	\$ -	\$ -	\$ 15,989	\$ 11,675	\$ 9,180
OPEB contributions in relation to statutory required contributions *	-	-	15,989	11,675	9,180
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll (OPEB)	\$ -	\$ -	\$ 802,109	\$ 760,139	\$ 693,578
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	1.99%	1.54%	1.32%

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

Note Disclosures:

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

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

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2018.

Mid Peninsula School Districts
Schedule of Mid Peninsula School District's Proportionate Share of 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	.08627	.00763%	.01050%
Proportionate share of net OPEB liability	\$ -	\$ -	\$ 619,211	\$ 607,036	\$ 929,966
Covered employee payroll (OPEB) *	\$ -	\$ -	\$ 758,460	\$ 648,777	\$ 850,748
Proportionate share of net OPEB liability as a percentage of its covered employee payroll %	0.00%	0.00%	81.64%	93.57%	109.31%
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	48.46%	42.95%	36.39%

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

Note Disclosures:

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

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

For university employers

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2017.

Other Supplemental Information

Mid Peninsula School District
Balance Sheet
Non-Major Governmental Funds
For the Year Ended
June 30, 2020

	Food Service Fund	Activity Fund	Total
ASSETS			
Cash	\$ 11,632	\$ 52,868	\$ 64,500
Due from other Governmental units	42,577	-	42,577
Accounts receivable	28,147	-	28,147
Inventory	-	-	-
Prepaid expenditures	-	-	-
Total Assets	\$ 82,356	\$ 52,868	\$ 135,224
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 5,662	\$ -	\$ 5,662
Due to other funds	7,429	-	7,429
Total Liabilities	13,091	-	13,091
 Deferred Inflow of Resources			
Unavailable revenue	-	-	-
 Fund Balances			
Non-Spendable:			
Inventory	-	-	-
Prepaid	-	-	-
Restricted	69,265	-	69,265
Committed	-	52,868	52,868
Total Fund Balances	69,265	52,868	122,133
 Total Liabilities, Deferred Inflows of Resources and Fund Equity	 \$ 82,356	 \$ 52,868	 \$ 135,224

Mid Peninsula School District
Statement of Revenue, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended
June 30, 2020

	Food Service Fund	Activity Fund	Total
REVENUE			
Local sources	\$ 6,857	\$ 55,250	\$ 62,107
State sources	6,896	-	6,896
Federal sources	208,915	-	208,915
Total Revenue	<u>222,668</u>	<u>55,250</u>	<u>277,918</u>
EXPENDITURES			
Supporting service	-	-	-
Food services	154,580	-	154,580
Activities	-	46,352	46,352
Principal retirement	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>154,580</u>	<u>46,352</u>	<u>200,932</u>
Excess of Revenue (Expenditures)	68,088	8,898	76,986
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other resources over (under) expenditures and other uses	68,088	8,898	76,986
Fund Balance July 1 as previously stated	1,177	-	1,177
Cumulative Effect of Change in Accounting Implementation of GASB 84	<u>-</u>	<u>43,970</u>	<u>43,970</u>
Fund Balance June 30	<u>\$ 69,265</u>	<u>\$ 52,868</u>	<u>\$ 122,133</u>

Mid Peninsula School District
 Budgetary Schedule of Revenue
 General Fund
 For the Year Ended June 30, 2020

REVENUE	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Local Sources			
Property tax levy		\$ 648,982	
Athletics		17,699	
Interest income		6,263	
Daycare		15,692	
Miscellaneous income		12,212	
Total Local Sources	<u>697,164</u>	<u>700,848</u>	<u>3,684</u>
State Sources			
State Aid - Foundation Grant		792,920	
Other State Aid			
Rate stabilization MPSERS		151,624	
Special education		12,652	
Summer reading		1,090	
GSRP		85,673	
At Risk grant and miscellaneous		84,739	
Total State Sources	<u>1,167,332</u>	<u>1,128,698</u>	<u>(38,634)</u>
Federal Sources			
Title I		22,389	
Title II Part A		7,718	
Title IV, Part A		19,901	
Miscellaneous		21,187	
Total Federal Sources	<u>86,498</u>	<u>71,195</u>	<u>(15,303)</u>
TOTAL REVENUE	<u>\$ 1,950,994</u>	<u>\$ 1,900,741</u>	<u>\$ (50,253)</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures
 General Fund
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
INSTRUCTION BASIC			
Elementary			
Salaries			
Teacher		\$ 197,423	
Teacher substitute		171	
Retirement		144,076	
FICA		14,141	
Health and accident insurance		42,847	
Instructional services		14,362	
Other professional contracts		4,003	
Robotics		1,360	
Equipment repair		1,838	
Workers comp		241	
Miscellaneous expense		3,331	
Unemployment		211	
Title IV supplies		9,901	
Supplies and materials		7,947	
Total Elementary	<u>454,363</u>	<u>441,852</u>	<u>12,511</u>
High School			
Salaries			
Teacher		155,744	
Teacher substitute		642	
Webmaster		3,500	
Health and accident insurance		36,913	
Retirement		50,133	
FICA		11,338	
Workers comp		979	
Instructional services		1,976	
Other professional contracts		6,830	
Local travel		278	
Dues and fees		180	
Workshops and conferences		1,251	
Tuition dual enrollment		27,865	
Equipment repair		1,488	
Payment to other public Schools		3,699	
Title IV supplies		10,000	
Robotics		15,830	
Miscellaneous expense		5,902	
High school supplies		13,325	
Total High School	<u>365,659</u>	<u>347,873</u>	<u>17,786</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Preschool			
Salaries			
Teacher		50,958	
Retirement		13,825	
FICA		3,820	
Contracted service		94	
Total Preschool	<u>86,550</u>	<u>68,697</u>	<u>17,853</u>
Total Instruction Basic	<u>906,572</u>	<u>858,422</u>	<u>48,150</u>
 INSTRUCTION ADDED NEEDS			
Special Education			
Salaries			
Teacher		19,191	
Retirement		5,253	
FICA		1,173	
Health and accident insurance		8,916	
Instructional services		330	
Supplies		24	
Other professional contracts		19,898	
Total Special Education	<u>58,083</u>	<u>54,785</u>	<u>3,298</u>
 At Risk			
Salaries			
Teacher		29,435	
Teacher aide		15,375	
Retirement		11,146	
FICA		3,390	
Other professional contracts		24,252	
Supplies and miscellaneous		1,141	
Total at Risk	<u>84,739</u>	<u>84,739</u>	<u>-</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Title I Part A			
Salaries			
Teacher		10,787	
Retirement		2,629	
FICA		814	
Instructional services		7,478	
Supplies		240	
Health and accident insurance		348	
Total Title I Part A	<u>24,767</u>	<u>22,296</u>	<u>2,471</u>
Title II Part A			
Salaries			
Teacher		3,600	
Teacher Aide		2,118	
Retirement		1,590	
FICA		410	
Total Title II Part A	<u>7,718</u>	<u>7,718</u>	<u>-</u>
Small Rural Schools			
Miscellaneous		9,389	
Total Small Rural Schools	<u>12,921</u>	<u>9,389</u>	<u>3,532</u>
Health Services			
Pupil services		100	
Miscellaneous supplies		233	
Total Health Services	<u>4,304</u>	<u>333</u>	<u>3,971</u>
Total Instruction Added Needs	<u>192,532</u>	<u>179,260</u>	<u>13,272</u>
TOTAL BASIC AND ADDED NEEDS	<u>\$ 1,099,104</u>	<u>\$ 1,037,682</u>	<u>\$ 61,422</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
SUPPORTING SERVICES ADMINISTRATION			
Board of Education			
Board member compensation		\$ 1,312	
Legal expense		6,023	
Audit costs		5,300	
Other professional contracts		6,820	
Advertising		4,777	
Dues and fees		1,084	
Miscellaneous expense		75	
Total Board of Education	<u>25,391</u>	<u>25,391</u>	<u>-</u>
Executive Administration			
Salaries			
Superintendent		72,800	
Secretarial		22,921	
Health and accident insurance		6,776	
Other insurance		2,245	
Retirement		26,032	
FICA		6,915	
Local travel		1,998	
Workshop and conferences		120	
Postage		1,372	
Office supplies		1,314	
Dues and fees		840	
Miscellaneous expense		3,860	
Total Executive Administration	<u>147,261</u>	<u>147,193</u>	<u>68</u>
Principal			
Salaries			
Principal		31,200	
Secretarial		22,922	
Other temporary salaries		1,533	
Health and accident insurance		6,776	
Other insurance		1,108	
Retirement		15,141	
FICA		3,942	
Office supplies		1,102	
Miscellaneous expense		1,408	
Other professional contracts		506	
Total Principal	<u>91,004</u>	<u>85,638</u>	<u>5,366</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fiscal Services			
Salaries			
Business manager		56,171	
Health and accident insurance		13,553	
Other insurance		999	
Retirement		19,124	
Michigan Readiness - purchased services		6,450	
Total Fiscal Services	<u>98,333</u>	<u>96,297</u>	<u>2,036</u>
Operations Building Services			
Salaries			
Custodial		21,117	
Other temporary salaries		8,463	
Retirement		7,258	
FICA		2,211	
Contracted custodian		38,301	
Other professional contracts		9,589	
Unemployment		441	
Telephone		5,537	
Waste disposal		4,810	
Property/liability insurance		18,365	
Woodchips and fuel		19,195	
Electricity		17,833	
Equipment and furniture		1,905	
Michigan Preschool Readiness - utilities		5,614	
Miscellaneous supplies		16,080	
Total Operations Building Services	<u>179,010</u>	<u>176,719</u>	<u>2,291</u>
Pupil Transportation			
Other professional contracts		115,740	
Supervision and direction		676	
Retirement		183	
FICA		45	
Michigan Preschool Readiness - transportation		4,912	
Total Pupil Transportation	<u>122,534</u>	<u>121,556</u>	<u>978</u>

Mid Peninsula School District
 Budgetary Comparison Schedule of Expenditures (continued)
 General Fund
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Custody and Care of Children			
Salaries			
Daycare		17,456	
Miscellaneous expense		21	
Retirement		3,563	
FICA		1,334	
Total Other Business Services	23,600	22,374	1,226
Other Business Services			
Interest expenses notes		12,635	
Bad debts		594	
Total Other Business Services	15,433	13,229	2,204
Supportive Services			
Title I academic Student assessment supplies		93	
Total Supportive Services	5,800	93	5,707
Athletics			
Salaries			
Coaching wages		30,123	
Other temporary salaries		4,441	
Retirement		8,678	
FICA		2,594	
Purchased contracts		8,511	
Local travel		860	
Transportation contract carrier		7,437	
Supplies and materials		665	
Dues and fees		1,360	
Miscellaneous		2,812	
Total Athletics	76,235	67,481	8,754
Total Supporting Services	784,601	755,971	28,630
Debt Service			
Bus Payments		4,199	
Total Debt Service	4,200	4,199	1
Capital Outlay			
Lawn Mower		9,000	
Total Capital Outlay	9,000	9,000	-
TOTAL GENERAL FUND EXPENDITURES	\$ 1,896,905	\$ 1,806,852	\$ 90,053

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, 2020, 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 23, 2020.

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 certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and other Matters

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

School's Response to Findings

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

Purpose of this Report

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

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

Johnson & Rennie LLC

Johnson and Rennie, LLC
Menominee, Michigan
October 23, 2020

Mid Peninsula School District
Schedule of Findings and Responses
For the Year Ended June 30, 2020

#2020-001 - Ability to Prepare Financial Statements and Related Note Disclosures

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

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

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

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

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

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

#2020-002 – 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, 2020

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

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

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

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

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

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

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

#2019-002 – Segregation of Duties

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

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

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

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

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

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