

Midland Public Schools

Financial Statements

June 30, 2019



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Midland Public Schools
Members of the Board of Education and Administration
June 30, 2019

Members of the Board of Education

Ms. Pam Singer – President

Mr. Scott McFarland – Vice President

Ms. Mary Fredell – Treasurer

Ms. Lynn Baker – Secretary

Mr. Brad Blasy – Trustee

Mr. John Lauderbach – Trustee

Mr. Phil Rausch – Trustee

Superintendent of Schools

Michael Sharrow – Superintendent



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Independent Auditors' Report

Management and the Board of Education
Midland Public Schools
Midland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midland Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to 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 Midland Public Schools, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Midland Public Schools' basic financial statements. Other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Midland Public Schools' basic financial statements as of and for the year ended June 30, 2018, which are not presented with the accompanying basic financial statements. In our report dated August 31, 2018, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Midland Public Schools' basic financial statements as a whole. The 2018 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2018 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019 on our consideration of Midland Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 Midland Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midland Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

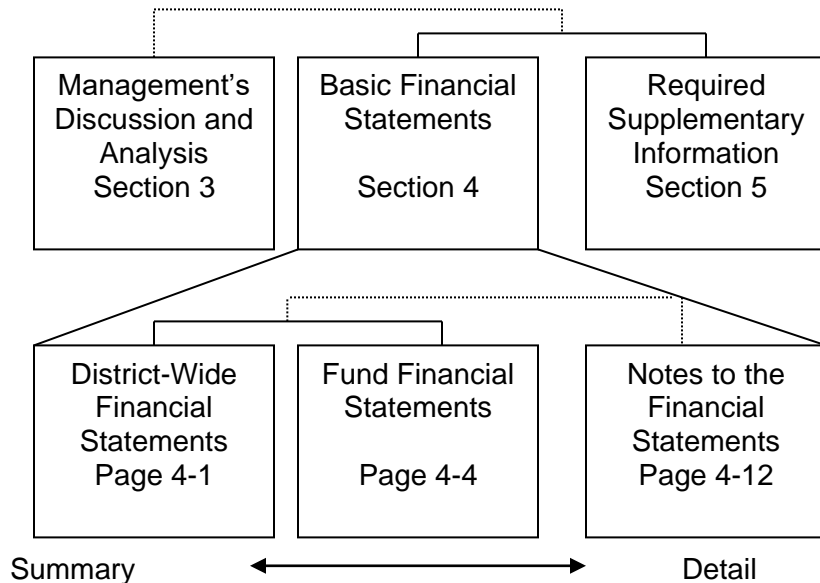
Midland, Michigan
August 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Midland Public Schools
Management Discussion and Analysis
June 30, 2019

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
Midland Public Schools
Organization of Annual Financial Report



District –Wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term

spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-3) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Midland Public Schools include Capital Project Funds, Fiduciary Funds and Special Revenue Funds for Food Service and the high school bookstores.

Midland Public Schools is the trustee, or fiduciary, for its student activity funds and for a number of scholarships established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net position. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for

**Midland Public Schools
Management Discussion and Analysis
June 30, 2019**

ensuring that the assets reported in these funds are used for their intended purposes.

upward trend as the district buildings are refurbished and the elementary schools experience new construction.

Financial Analysis of the District as a Whole

Summary of Net Position

	Governmental Activities June 30, 2019	Governmental Activities June 30, 2018
Assets and Deferred Outflows		
Current assets	\$ 78,675,205	\$ 51,022,670
Capital assets	141,737,604	126,858,335
Less accumulated depreciation	(48,786,479)	(45,561,549)
Capital assets, net book value	92,951,125	81,296,786
Deferred outflows of resources	52,172,615	29,641,455
Total assets and deferred outflows	223,798,945	161,960,911
Liabilities and Deferred Inflows		
Current liabilities	13,157,809	11,650,568
Noncurrent liabilities	275,188,421	227,266,859
Deferred inflows of resources	32,154,463	21,521,396
Total liabilities and deferred inflows	320,500,693	260,438,823
Net Position		
Net investment in capital assets	39,316,941	40,106,590
Restricted	3,161,298	4,316,326
Unrestricted	(139,179,987)	(142,900,828)
Total net position	\$ (96,701,748)	\$ (98,477,912)

Statement of Net Position from Operating Results

	Governmental Activities Year Ended June 30, 2019	Governmental Activities Year Ended June 30, 2018
Revenues		
Program revenues		
Charges for services	\$ 2,221,182	\$ 2,546,378
Operating grants and contributions	20,070,632	19,963,846
Capital Grants and Contributions	-	69,904
General revenues		
Property taxes	26,488,035	26,096,843
State foundation allowance	42,578,935	41,550,635
Other	1,236,910	927,893
Total revenues	92,595,694	91,155,499
Expenses		
Instruction	53,678,391	54,819,849
Support services	31,754,690	30,478,743
Food services	2,543,821	2,486,534
Other transactions	2,842,628	2,485,008
Total expenses	90,819,530	90,270,134
Increase (decrease) in net assets	\$ 1,776,164	\$ 885,365

The largest component of revenues is the per-pupil Foundation Allowance which is legislatively established each year and varies by district. It is comprised of a state portion and the amount raised by the District's non-homestead property tax levy of 18 mills.

The *Summary of Net Position* and the *Statement of Net Position from Operating Results* on the next page show the changes in the District's net position. Unrestricted net position is similar but not identical to fund balance. Other assets are restricted for capital projects and food service operations. A reconciliation of the difference between changes in net position and changes in fund balance is on page 4-9. In 2018/19 there is an increase in net position. It is important to note that as the bond issue funds continue to be expensed and capital improvements are made, the change in net position will see an

Midland Public Schools
Management Discussion and Analysis
June 30, 2019

The combined total is based on two variables:

1. The State of Michigan State Aid Act per student foundation allowance
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the prior year's winter count

Revenue is determined by multiplying the two variables and adjusting for the lower foundation allowance of students attending Midland Public Schools from other school districts. Detailed information on both components is on page 3-4.

The School District's Funds

A school district accounting system is organized and operated on a fund basis. Legal reporting requirements and the varied nature of the District's operations make it necessary to account for activities through the use of separate funds. Financial statements for the General Fund are on pages 5-1 and 5-2 and 6-4 through 6-15.

The District governmental funds reported a combined fund balance of \$66.3 million, which is an increase of \$27.8 million from last year. The changes in the individual funds are:

- In the General Fund, our principal operating fund, the fund balance increased by \$4,238,011. A large number of revenue and expense changes occurred during the year and are detailed on the pages that follow. At the time of the final budget adoption, the Board of Education was aware of the likelihood of revenues exceeding expenditures and committed to adding to fund balance to maintain stability for the District. The reserves and designations of fund balance are identified on page 4-5.

- The 2015 Building and Site Bond Fund was used to purchase technology and complete major construction projects at Woodcrest, Siebert and Chestnut Hill Elementary Schools. In addition, renovations began on the secondary buildings and at Adams Elementary.
- A new major fund was added for 2018/19 due to the selling of the Series II bonds, creating the 2019 Building and Site Bond Fund. Due to the significant planning essential to spending the funds in accordance with the ballot language, the majority of the proceeds were restricted in fund balance at June 30, 2019.
- The overall fund balance in the Non-Major Governmental Funds increased by \$203,824. This change is attributable to taxes collected by the debt retirement fund and funds in the capital projects fund. The debt retirement fund will be used to pay down the debt millage and the capital projects fund will be used for ongoing District improvements. Additional detail on the changes in the Non-Major Governmental Funds is available on pages 6-2 and 6-3.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2018/19 the State followed the previously used 2X formula (MPS receives ½ what the lower funded districts receive) which raised the foundation allowance by \$126 to \$8,531 per pupil.

**Midland Public Schools
Management Discussion and Analysis
June 30, 2019**

Student Enrollment

The District's state aid membership for 2018/19 was 7,676 students. This is a decrease of 11 students from the previous school year. The 2018/19 beginning budget was adopted using projections of a reduction in student enrollment of 53 students. The following summarizes fall student enrollments in the past five years:

Enrollment History

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2018/19	7,676	(11)
2017/18	7,687	(1)
2016/17	7,688	(59)
2015/16	7,747	10
2014/15	7,737	(55)

Preliminary student enrollment projections for 2019/20 indicate that enrollments are likely to decline by 30 students from 2018/19. The District uses Stanfred Consultants for assistance in projecting enrollment for budget purposes. County birthrates, current enrollment, and community factors all play a part in this forecast.

Property Taxes Levied for General Operations

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. A change in state tax law late in 2007 exempted industrial and commercial personal property from the operational millage and shifted the balance of funding to the foundation allowance. Included in the 18 mills is a hold harmless millage levied on all properties that is limited to the number of mills necessary to raise \$415 per pupil. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

	<u>Local Property Tax Revenue</u>	<u>% of General Fund Revenue</u>
2018/19	\$ 19,487,994	23.2%
2017/18	19,131,827	23.4%
2016/17	19,074,163	23.9%
2015/16	19,662,713	24.7%
2014/15	19,506,022	24.6%

Local revenues in the table include the receipt of delinquent taxes from prior years; for the fiscal year ended June 30, 2019, the District had \$11,906 of current year property taxes that had not been collected.

**Midland Public Schools
Management Discussion and Analysis
June 30, 2019**

Capital Assets

At June 30, 2019, the District had \$92,951,125 invested in capital assets including land, buildings, furniture, and equipment.

Assets	2019	2018
Land	\$ 410,000	\$ 420,000
Site Improvements	11,209,866	10,438,434
Buildings and improvements	108,254,559	90,210,876
Buses and other vehicles	4,560,146	4,478,160
Furniture and equipment	8,523,615	7,681,527
Construction in progress	8,779,418	13,629,338
Subtotal	<u>141,737,604</u>	<u>126,858,335</u>
Less accumulated depreciation	<u>(48,786,479)</u>	<u>(45,561,549)</u>
	<u><u>\$ 92,951,125</u></u>	<u><u>\$ 81,296,786</u></u>

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2018/19 was approved on June 25, 2018 and amended in March and June of 2019.

General Fund Revenues

Total Revenues Revised Budget	\$ 84,002,173
Total Revenues Original Budget	81,708,910
	<u><u>\$ 2,293,263</u></u>
Total Revenues Actual	\$ 83,765,123
Total Revenues Revised Budget	84,002,173
	<u><u>\$ (237,050)</u></u>

The actual variance from the final budget was less than 0.4% and was due primarily to restricted unspent federal and state funds that will be carried over to the 2019/20 fiscal year.

The most significant revenue budget adjustments for the year include:

- Increase in the 147 MPSERS rate cap funding from the state \$500,000.
- Increase in budgeted student enrollment of \$210,000.
- 31a At Risk grant of \$230,000.
- Federal grants of \$270,000.
- GSRP grant \$120,000.
- ESA transfer increase \$460,000.
- CSSGP Safety Grant \$205,000.
- Early Literacy Grant \$200,000.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 83,325,055
Total Expenditures Original Budget	80,636,747
	<u><u>\$ 2,688,308</u></u>
Total Expenditures Actual	\$ 79,527,112
Total Expenditures Revised Budget	83,325,055
	<u><u>\$ (3,797,943)</u></u>

The actual variance from the final budget was 4.6%. The variance is due to actual employer costs being lower than expected and reduced purchases of capital outlay from general fund. The School District also monitored expenditures, which allowed for savings on supply budgets. Grant budgets that were not spent will be carried over to the 2019/20 budget.

Midland Public Schools
Management Discussion and Analysis
June 30, 2019

The expenditure budget adjustments variance was 3.3%. The budget adjustments for the year include:

- All departments were encouraged to make reductions throughout the year in order to improve the financial position of the district and reduce the deficit.

Economic Factors and Next Year's Budget and Rates

For 2019/20, the legislature had not adopted a final State School Aid Act before the Board of Education was required to adopt its budget at the June 24 meeting. The adopted budget included a deficit of approximately \$1.905 million. Administration and the Board are hopeful that historic positive budget variances along with potential budget savings measures could result in a balanced or surplus budget.

The major assumptions for the 2019/20 budget include:

- A reduction in the blended count for enrollment of 30 students (7,651).
- A \$100 per pupil foundation increase (\$8,631).
- 31a At-Risk grant funding at approximately \$550,000.
- MPSERS Cost Offset (147a 1 & 2) and UAAL rate stabilization (147c) estimated return reduction of \$210,000.
 - Retirements rates up approximately 1.4%
- Elimination of the MISTEM, 104d, 147e, 22n, and School Safety Grants.
- MCESA special education transfers reduced and Medicaid reimbursement down \$400,000.
- Federal Allocations (IA, IIA, ID) budgeted at 85% of the 18-19 allocations.

- Steps and category increase for teachers. All employees received a 2-3% increase in salary based on position.
- Increase of medical premiums of 5% and 6.5% for dental.
- Staffing patterns reflect the continuous process of evaluating vacancies and maximizing efficiencies possible.

Requests for Information

This financial report is designed to give a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to Associate Superintendent for Finance, Facilities and Operations, Midland Public Schools, 600 East Carpenter, Midland, MI 48640; telephone number 989-923-5078.

BASIC FINANCIAL STATEMENTS

Midland Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash	\$ 67,522,457
Accounts receivable	45,843
Due from other governmental units	10,716,472
Interest receivable	85,794
Inventory	93,410
Prepaid items	211,229
Capital assets not being depreciated	9,189,418
Capital assets - net of accumulated depreciation	83,761,707
Total assets	171,626,330
Deferred outflows of resources	
Deferred amount relating to the net pension liability	45,395,111
Deferred amount relating to the net OPEB liability	6,777,504
Total deferred outflows of resources	52,172,615
Total assets and deferred outflows of resources	223,798,945
Liabilities	
Accounts payable	4,968,223
Due to other governmental units	31,663
Payroll deductions and withholdings	2,618,172
Accrued expenditures	849,359
Accrued salaries payable	4,131,406
Unearned revenue	558,986
Noncurrent liabilities	
Net pension liability	143,296,386
Net OPEB liability	37,704,253
Debt due within one year	4,193,729
Debt due in more than one year	89,994,053
Total liabilities	288,346,230

See Accompanying Notes to the Financial Statements

Midland Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Deferred inflows of resources	
Deferred amount relating to net pension liability	\$ 22,676,169
Deferred amount relating to the net OPEB liability	<u>9,478,294</u>
Total deferred inflows of resources	<u>32,154,463</u>
Total liabilities and deferred inflows of resources	<u>320,500,693</u>
Net position	
Net investment in capital assets	39,316,941
Restricted for	
Contributions for special projects	148,024
STEM	1,996,309
Capital improvements	365,220
Debt service	166,975
Food service	484,770
Unrestricted (deficit)	<u>(139,179,987)</u>
Total net position	<u><u>\$ (96,701,748)</u></u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 53,699,503	\$ 665,069	\$ 15,824,480	\$ -	\$ (37,209,954)
Supporting services	31,733,578	668,966	2,698,531	-	(28,366,081)
Food services	2,543,821	887,147	1,547,621	-	(109,053)
Community services	116,154	-	-	-	(116,154)
Interest and fiscal charges on long-term debt	2,726,474	-	-	-	(2,726,474)
Total governmental activities	\$ 90,819,530	\$ 2,221,182	\$ 20,070,632	\$ -	(68,527,716)
General revenues					
Property taxes, levied for general purposes					19,487,994
Property taxes, levied for debt service					7,000,041
State aid - unrestricted					42,578,935
Interest and investment earnings					615,235
Gain on sale of capital assets					166,068
Other					455,607
Total general revenues					70,303,880
Change in net position					1,776,164
Net position - beginning					(98,477,912)
Net position - ending					\$ (96,701,748)

See Accompanying Notes to the Financial Statements

Midland Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	<u>General Fund</u>	<u>2015 Building and Site Project Fund</u>	<u>2019 Building and Site Project Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 20,262,391	\$ 3,522,911	\$ 40,103,108	\$ 3,634,047	\$ 67,522,457
Accounts receivable	43,665	-	-	2,178	45,843
Due from other funds	-	566	-	3,529	4,095
Due from other governmental units	10,639,811	-	-	76,661	10,716,472
Interest receivable	35,190	-	50,604	-	85,794
Inventory	72,140	-	-	21,270	93,410
Prepaid items	<u>197,578</u>	<u>-</u>	<u>458</u>	<u>13,193</u>	<u>211,229</u>
Total assets	<u>\$ 31,250,775</u>	<u>\$ 3,523,477</u>	<u>\$ 40,154,170</u>	<u>\$ 3,750,878</u>	<u>\$ 78,679,300</u>
Liabilities					
Accounts payable	\$ 1,191,819	\$ 2,548,113	\$ 934,665	\$ 293,626	\$ 4,968,223
Due to other funds	4,095	-	-	-	4,095
Due to other governmental units	27,483	-	-	4,180	31,663
Payroll deductions and withholdings	2,618,172	-	-	-	2,618,172
Accrued expenditures	98,342	-	-	-	98,342
Accrued salaries payable	4,131,406	-	-	-	4,131,406
Unearned revenue	<u>479,408</u>	<u>-</u>	<u>-</u>	<u>79,578</u>	<u>558,986</u>
Total liabilities	<u>8,550,725</u>	<u>2,548,113</u>	<u>934,665</u>	<u>377,384</u>	<u>12,410,887</u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	<u>General Fund</u>	<u>2015 Building and Site Project Fund</u>	<u>2019 Building and Site Project Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance					
Non-spendable					
Inventory	\$ 72,140	\$ -	\$ -	\$ 21,270	\$ 93,410
Prepaid items	197,578	-	458	13,193	211,229
Restricted for					
Contributions for special projects	148,024	-	-	-	148,024
Capital improvements	-	975,364	39,219,047	365,220	40,559,631
Food service	-	-	-	450,765	450,765
Debt service	-	-	-	909,874	909,874
STEM	1,996,309	-	-	-	1,996,309
Designated for					
Charger Shop Bookstore	-	-	-	63,634	63,634
Chemic Corner Bookstore	-	-	-	136	136
PRME	-	-	-	1,549,402	1,549,402
Assigned for					
Medical expenses	873,024	-	-	-	873,024
Post-bond copier replacement	600,000	-	-	-	600,000
Technology replacement	500,000	-	-	-	500,000
Unassigned					
Cash flow management	<u>18,312,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,312,975</u>
Total fund balance	<u>22,700,050</u>	<u>975,364</u>	<u>39,219,505</u>	<u>3,373,494</u>	<u>66,268,413</u>
Total liabilities and fund balance	<u>\$ 31,250,775</u>	<u>\$ 3,523,477</u>	<u>\$ 40,154,170</u>	<u>\$ 3,750,878</u>	<u>\$ 78,679,300</u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	\$ 66,268,413
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	9,189,418
Capital assets - net of accumulated depreciation	83,761,707
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	45,395,111
Deferred outflows of resources resulting from the net OPEB liability	6,777,504
Deferred inflows of resources resulting from the net pension liability	(22,676,169)
Deferred inflows of resources resulting from the net OPEB liability	(9,478,294)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(743,357)
Accrued dental benefits	(6,618)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(143,296,386)
Net OPEB liability	(37,704,253)
Compensated absences	(358,729)
Bonds payable	(81,265,000)
Bond premium	(12,564,053)
Net position of governmental activities	<u>\$ (96,701,748)</u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	2015 Building and Site Project Fund	2019 Building and Site Project Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 22,448,173	\$ 219,253	\$ 149,070	\$ 8,114,555	\$ 30,931,051
State sources	54,718,188	-	-	86,143	54,804,331
Federal sources	1,364,072	-	-	1,461,478	2,825,550
Inter-district sources	5,218,694	-	-	-	5,218,694
	<u>83,749,127</u>	<u>219,253</u>	<u>149,070</u>	<u>9,662,176</u>	<u>93,779,626</u>
Expenditures					
Current					
Education					
Instruction	51,120,553	-	-	-	51,120,553
Supporting services	26,698,771	17,191	25	69,985	26,785,972
Food services	-	-	-	2,386,892	2,386,892
Community services	110,784	-	-	-	110,784
Facilities acquisition	-	2,234,747	-	-	2,234,747
Capital outlay	597,004	13,867,192	1,216,793	1,254,596	16,935,585
Debt service					
Principal	-	-	-	4,375,000	4,375,000
Interest and other expenditures	-	-	-	2,545,151	2,545,151
Bond issuance costs	-	-	286,167	-	286,167
	<u>78,527,112</u>	<u>16,119,130</u>	<u>1,502,985</u>	<u>10,631,624</u>	<u>106,780,851</u>
Excess (deficiency) of revenues under expenditures	<u>5,222,015</u>	<u>(15,899,877)</u>	<u>(1,353,915)</u>	<u>(969,448)</u>	<u>(13,001,225)</u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>2015 Building and Site Project Fund</u>	<u>2019 Building and Site Project Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 34,930,000	\$ -	\$ 34,930,000
Premium on issuance of bonds	-	-	5,643,420	-	5,643,420
Insurance recoveries	-	-	-	183,724	183,724
Proceeds from sale of capital assets	5,544	-	-	-	5,544
Transfers in	10,452	-	-	1,000,000	1,010,452
Transfers out	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(10,452)</u>	<u>(1,010,452)</u>
 Total other financing sources (uses)	 <u>(984,004)</u>	 <u>-</u>	 <u>40,573,420</u>	 <u>1,173,272</u>	 <u>40,762,688</u>
 Net change in fund balance	 4,238,011	 (15,899,877)	 39,219,505	 203,824	 27,761,463
 Fund balance - beginning	 <u>18,462,039</u>	 <u>16,875,241</u>	 <u>-</u>	 <u>3,169,670</u>	 <u>38,506,950</u>
 Fund balance - ending	 <u>\$ 22,700,050</u>	 <u>\$ 975,364</u>	 <u>\$ 39,219,505</u>	 <u>\$ 3,373,494</u>	 <u>\$ 66,268,413</u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	\$ 27,761,463
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating and capital grants	(1,350,000)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(3,489,859)
Capital outlay	15,167,398
Extraordinary loss on disposal of capital assets (net book value)	(23,200)
Expenses are recorded when incurred in the statement of activities.	
Interest	(329,960)
Benefit claims	64,833
Compensated absences	147,689
Unemployment claims	(1,042)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(17,661,801)
Net change in deferrals of resources related to the net pension liability	15,805,732
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	5,356,166
Net change in deferrals of resources related to the net OPEB liability	(3,907,639)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(40,573,420)
Repayments of long-term debt	4,375,000
Amortization of premiums	434,804
Change in net position of governmental activities	\$ 1,776,164

See Accompanying Notes to the Financial Statements

Midland Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 168,425	\$ 764,379
Investments	435,063	-
Prepaid items	<u>-</u>	<u>3,972</u>
Total assets	<u>\$ 603,488</u>	<u>\$ 768,351</u>
Liabilities		
Accounts payable	\$ -	\$ 133,569
Due to agency fund activities	<u>-</u>	<u>634,782</u>
Total liabilities	<u>-</u>	<u>\$ 768,351</u>
Net position		
Assets held for endowments	435,063	
Assets held for scholarships and loans	<u>168,425</u>	
Total net position	<u>\$ 603,488</u>	

See Accompanying Notes to the Financial Statements

Midland Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 2,300
Interest and investment earnings (losses)	<u>(107,406)</u>
Total additions	<u>(105,106)</u>
Deductions	
Scholarships	15,480
Revolving activities	<u>1,007</u>
Total deductions	<u>16,487</u>
Change in net position	(121,593)
Net position - beginning	<u>725,081</u>
Net position - ending	<u><u>\$ 603,488</u></u>

See Accompanying Notes to the Financial Statements

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Midland Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

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

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2015 Building and Site Project Fund – The 2015 Building and Site Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

2019 Building and Site Project Fund – The 2019 Building and Site Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School

District's Special Revenue Funds include the Food Service, Charger Shop Bookstore, and Chemic Corner Bookstore.

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Funds – The nonmajor capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	1.6814
Non-principal residence	18.0000
Commercial personal property	7.6814
Industrial personal property	1.6814
Debt Service Funds	
All property	2.7200

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 81% of the School District's tax roll lies within the City of Midland. Property taxes assessed to Midland Cogeneration Venture, Dow Chemical Co. and Xalt Energy represent approximately 10%, 9% and 4%, respectively, of total fiscal year City of Midland 2018 tax revenues.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Midland and remitted to the School District by May 15.

Investments – Investments are stated at fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of the general fund are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District

follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	7-50 years
Site improvements	20 years
Equipment and furniture	5-20 years
Buses and other vehicles	8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Compensated Absences – Employees who are not teachers are awarded vacation days based on years of employment.

Sick days are earned by employees at a rate prorated at 15 days per year. There is no contractual provision for payment of unused sick days.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the interest rate method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities, as well as deferred inflows and outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be

recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts within functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance - Bond Proceeds

The 2015 Building and Site Bond Fund is a fund that includes capital project activities funded with a bond issued May 22, 2015. The 2019 Building and Site Bond Fund is a fund that includes capital project activities funded with a bond issued May 7, 2019. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2015 and 2019 Building and Site Bond Funds

from the inception of the funds through the current fiscal year:

	2015 Bond	2019 Bond
Revenues	\$ 74,666,194	\$ 35,079,070
Expenditures	73,690,830	1,502,985

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 – Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 67,522,457	\$ 932,804	\$ 68,455,261
Investments	-	435,063	435,063
	\$ 67,522,457	\$ 1,367,867	\$ 68,890,324

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets)	\$ 68,447,548
Investments in securities, mutual funds, and similar vehicles	435,063
Petty cash and cash on hand	7,713
Total	\$ 68,890,324

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Stock	\$ 435,063		Unrated	

The stock is held for the private purpose trust fund. It was donated to the School District to be used to generate income to award scholarships to worthy students. Individual scholarship provisions specify how the investments and related income may be used.

Interest rate risk – In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market. In addition, the District will invest operating funds primarily in short term securities and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The District’s investment policy further limits its investment choices to only those financial institutions, brokers/dealers, intermediaries and advisors that meet the pre-qualifications of the District as detailed in their investment policy.

Concentration of credit risk – The District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The stock is held in one company.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District has a deposit policy for custodial credit risk. As of year end, \$24,369,623 of the District’s bank balance of \$68,465,292 was exposed to custodial credit risk because it was uninsured and uncollateralized, \$43,595,669 was secured by the financial institution where the funds are held, and \$500,000 was insured.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2019, none of the District’s investments were exposed to custodial credit risk.

Note 4 – Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2019:

Stock of \$435,063 is valued using quoted market prices (Level 1 inputs).

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June 30, 2019

Note 5 – Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 420,000	\$ -	\$ 10,000	\$ 410,000
Construction in progress	<u>13,629,338</u>	<u>8,779,418</u>	<u>13,629,338</u>	<u>8,779,418</u>
Total capital assets not being depreciated	<u>14,049,338</u>	<u>8,779,418</u>	<u>13,639,338</u>	<u>9,189,418</u>
Capital assets being depreciated				
Buildings and additions	90,210,876	18,159,683	116,000	108,254,559
Site improvements	10,438,434	771,432	-	11,209,866
Equipment and furniture	7,681,527	842,088	-	8,523,615
Buses and other vehicles	<u>4,478,160</u>	<u>254,115</u>	<u>172,129</u>	<u>4,560,146</u>
Total capital assets being depreciated	<u>112,808,997</u>	<u>20,027,318</u>	<u>288,129</u>	<u>132,548,186</u>
Less accumulated depreciation for				
Buildings and additions	30,088,319	2,440,613	92,800	32,436,132
Site improvements	6,213,038	421,932	-	6,634,970
Equipment and furniture	5,657,393	324,562	-	5,981,955
Buses and other vehicles	<u>3,602,799</u>	<u>302,752</u>	<u>172,129</u>	<u>3,733,422</u>
Total accumulated depreciation	<u>45,561,549</u>	<u>3,489,859</u>	<u>264,929</u>	<u>48,786,479</u>
Net capital assets being depreciated	<u>67,247,448</u>	<u>16,537,459</u>	<u>23,200</u>	<u>83,761,707</u>
Net capital assets	<u>\$ 81,296,786</u>	<u>\$ 25,316,877</u>	<u>\$ 13,662,538</u>	<u>\$ 92,951,125</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 2,217,959
Support services	1,163,491
Food services	103,601
Community services	<u>4,808</u>
Total governmental activities	<u>\$ 3,489,859</u>

Construction Commitments

The School District has active construction projects as of June 30, 2019. At year end, the School District's commitment with contractors is as follows:

Project	Total Contract	Construction Commitment at Year End
Chestnut Hill Elementary	\$ 54,936	\$ 23,280
Siebert Elementary	66,411	26,950
Woodcrest Elementary	112,490	76,602
Carpenter Elementary	46,320	10,153
Jefferson Middle School	742,414	187,347
H.H. Dow High School	6,696,541	4,282,959
Midland High School	2,724,008	1,538,678
Northeast Middle School	1,089,661	324,076
Adams Elementary	5,796,857	3,233,794
Plymouth Elementary	130,097	82,991
Central Park Elementary	120,123	39,142
Pressbox	656,780	321,200
Central Auditorium	20,721	5,851
Administration Building	463,033	129,105
Grounds	11,142	2,922
Transportation and maintenance	15,683	4,603
Construction project manager	<u>473,924</u>	<u>152,071</u>
	<u>\$ 19,221,141</u>	<u>\$ 10,441,724</u>

Midland Public Schools
Notes to the Financial Statements
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Note 6 – Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Food service deposits	\$ 74,978
Grant and categorical aid payments	439,199
Other	<u>44,809</u>
Total	<u>\$ 558,986</u>

Note 7 – Interfund Activity

Individual interfund receivable and payable balances at year end were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2015 Building & Site Bond Fund	General Fund	\$ 566
Non-major Governmental Funds	General Fund	<u>3,529</u>
Total		<u>\$ 4,095</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Transfers in			
General Fund	\$ -	\$ 10,452	\$ 10,452
Non-major Governmental Funds	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	<u>\$ 1,000,000</u>	<u>\$ 10,452</u>	<u>\$ 1,010,452</u>

Transfers were made to reimburse the general fund for indirect costs incurred by the food service program. In addition, transfers were made from general fund to the PRME fund for upcoming projects.

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and incurred but not reported workers' compensation benefits.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 50,710,000	\$ 34,930,000	\$ 4,375,000	\$ 81,265,000	\$ 3,835,000
Compensated absences	506,418	523,696	671,385	358,729	358,729
Premium on bonds	<u>7,355,437</u>	<u>5,643,420</u>	<u>434,804</u>	<u>12,564,053</u>	<u>-</u>
Total	<u>\$ 58,571,855</u>	<u>\$ 41,097,116</u>	<u>\$ 5,481,189</u>	<u>\$ 94,187,782</u>	<u>\$ 4,193,729</u>

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General obligation bonds payable at year end, consists of the following:

\$64,110,000 serial bonds due in annual installments of \$1,835,000 to \$4,800,000 through May 1, 2035, interest at 4.00% to 5.00%	\$ 46,335,000
\$34,930,000 serial bonds due in annual installments of \$1,100,000 to \$2,575,000 through November 1, 2039, interest at 4.00% to 5.00%	<u>34,930,000</u>
Total government obligation bonds	<u>\$ 81,265,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year ending June 30,	Principal	Interest	Total
2020	\$ 3,835,000	\$ 3,973,863	\$ 7,808,863
2021	3,925,000	3,830,200	7,755,200
2022	4,155,000	3,653,950	7,808,950
2023	4,400,000	3,467,500	7,867,500
2024	3,325,000	3,247,500	6,572,500
2025-2029	18,500,000	13,825,000	32,325,000
2030-2034	26,975,000	8,300,000	35,275,000
2035-2036	<u>16,150,000</u>	<u>2,048,750</u>	<u>18,198,750</u>
	<u>\$ 81,265,000</u>	<u>\$ 42,346,763</u>	<u>\$ 123,611,763</u>

The general obligation bonds are payable from a voter approved debt levy. Other long-term debt liabilities are expected to be paid primarily by General Fund resources.

Compensated Absences

Accrued compensated absences at year end consist of \$358,729 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by vacation time earned for the year.

Note 9 – Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for the protection of real and personal property. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District's unemployment compensation expense for the year was \$0. An amount of \$1,042 has been accrued for future claims in the district-wide financial statements.

Note 10 – Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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

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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 are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$12,979,897 for the year ending September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$143,296,386 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension

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Notes to the Financial Statements
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liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.04767 percent, which was a decrease of 0.0081 percent from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the School District recognized pension expense of \$14,686,680. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Total
Difference between expected and actual experience	\$ 664,922	\$ (1,041,310)	\$ (376,388)
Changes in assumptions	33,187,325	-	33,187,325
Net difference between projected and actual earnings on pension plan investments	-	(9,797,830)	(9,797,830)
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>50,430</u>	<u>(6,603,694)</u>	<u>(6,553,264)</u>
Total to be recognized in future	33,902,677	(17,442,834)	16,459,843
District contributions subsequent to the measurement date	<u>11,492,434</u>	<u>(5,233,335)</u>	<u>6,259,099</u>
	<u>\$ 45,395,111</u>	<u>\$ (22,676,169)</u>	<u>\$ 22,718,942</u>

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

2019	\$ 6,382,475
2020	4,825,670
2021	3,588,162
2022	<u>1,663,536</u>
	<u>\$ 16,459,843</u>

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.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 7.05%
 - Pension Plus Plan: 7.00%
 - 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: RP-2014 Male and Female Combined Healthy Life Mortality Tables. For retirees, the tables were scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For active members, the tables were scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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 pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2018, are summarized in the following table:

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

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

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Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
\$ 188,137,087	\$ 143,296,386	\$ 106,041,052

* *Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

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

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

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

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Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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 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).

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

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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. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2018 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the School District were \$3,078,858 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$37,704,253 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.4743 percent, which was a decrease of 0.0119 percent from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the School District recognized OPEB expense of \$1,623,952. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Total
Difference between expected and actual experience	\$ -	\$ (7,017,730)	\$ (7,017,730)
Changes in assumptions	3,992,900	-	3,992,900
Net difference between projected and actual earnings on OPEB plan investments	-	(1,449,065)	(1,449,065)
Changes in proportion and differences between district contributions and proportionate share of contributions	11,315	(1,011,499)	(1,000,184)
Total to be recognized in future District contributions subsequent to the measurement date	4,004,215	(9,478,294)	(5,474,079)
	2,773,289	-	2,773,289
	\$ 6,777,504	\$ (9,478,294)	\$ (2,700,790)

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

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

2019	\$	(1,321,418)
2020		(1,321,418)
2021		(1,321,418)
2022		(1,027,387)
2023		(482,438)
	\$	(5,474,079)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- Mortality: RP-2014 Male and Female Combined Healthy Life Mortality Tables. For retirees, the tables were scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For active members, the tables were scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

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 OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018.

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the 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 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$	45,263,189	\$ 37,704,253	\$ 31,346,265

Midland Public Schools
Notes to the Financial Statements
June 30, 2019

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the 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
\$ 31,011,333	\$ 37,704,253	\$ 45,382,400

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2019.

Note 13 – Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2018, the School District’s property tax revenues were reduced by \$885,437 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Midland Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 21,363,000	\$ 22,248,984	\$ 22,448,173	\$ 199,189
State sources	54,349,508	54,819,062	54,718,188	(100,874)
Federal sources	1,417,069	1,757,938	1,364,072	(393,866)
Inter-district sources	4,579,333	5,176,189	5,218,694	42,505
	<u>81,708,910</u>	<u>84,002,173</u>	<u>83,749,127</u>	<u>(253,046)</u>
Expenditures				
Instruction				
Basic programs	39,433,683	40,355,001	39,187,227	(1,167,774)
Added needs	12,401,837	12,669,378	11,933,326	(736,052)
Supporting services				
Pupil	4,487,812	5,056,536	4,614,587	(441,949)
Instructional staff	5,153,614	5,133,061	4,917,449	(215,612)
General administration	798,661	846,197	777,031	(69,166)
School administration	4,765,190	4,813,817	4,642,955	(170,862)
Business	1,198,190	1,272,628	1,051,473	(221,155)
Operations and maintenance	5,638,762	5,687,923	5,587,280	(100,643)
Pupil transportation services	2,872,810	2,813,287	2,513,542	(299,745)
Central	1,827,205	1,652,511	1,517,078	(135,433)
Athletic activities	1,110,314	1,143,868	1,077,376	(66,492)
Community services	287,724	202,437	110,784	(91,653)
Capital outlay	218,945	678,411	597,004	(81,407)
	<u>80,194,747</u>	<u>82,325,055</u>	<u>78,527,112</u>	<u>(3,797,943)</u>
Excess of revenues over expenditures	<u>1,514,163</u>	<u>1,677,118</u>	<u>5,222,015</u>	<u>3,544,897</u>

Midland Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 5,544	\$ 5,544
Transfers in	-	-	10,452	10,452
Transfers out	<u>(442,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(442,000)</u>	<u>(1,000,000)</u>	<u>(984,004)</u>	<u>15,996</u>
Net change in fund balance	1,072,163	677,118	4,238,011	3,560,893
Fund balance - beginning	<u>18,462,039</u>	<u>18,462,039</u>	<u>18,462,039</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,534,202</u>	<u>\$ 19,139,157</u>	<u>\$ 22,700,050</u>	<u>\$ 3,560,893</u>

Midland Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net pension liability (%)	0.4767%	0.4848%	0.5099%	0.5161%	0.5369%					
B. School District's proportionate share of net pension liability	\$ 143,296,386	\$ 125,634,585	\$ 127,217,694	\$ 126,056,999	\$ 118,253,941					
C. School District's covered-employee payroll	\$ 40,328,615	\$ 39,710,028	\$ 42,731,125	\$ 42,932,455	\$ 45,584,999					
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	355.32%	316.38%	297.72%	293.62%	259.41%					
E. Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%					

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Midland Public Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$12,408,361	\$ 13,031,500	\$ 9,514,853	\$ 7,903,041	\$ 11,142,292					
B. Contributions in relation to statutorily required contributions	<u>12,408,361</u>	<u>13,031,500</u>	<u>9,514,853</u>	<u>7,903,041</u>	<u>11,142,292</u>					
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D. School District's covered-employee payroll	\$40,752,245	\$ 40,083,864	\$50,890,617	\$ 41,203,107	\$ 43,433,366					
E. Contributions as a percentage of covered-employee payroll	30.45%	32.51%	18.70%	19.18%	25.65%					

Midland Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net OPEB liability (%)	0.4743%	0.4863%								
B. School District's proportionate share of net OPEB liability	\$ 37,704,253	\$ 43,060,419								
C. School District's covered-employee payroll	\$ 40,328,615	\$ 39,710,028								
D. School District's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	93.49%	108.44%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Midland Public Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$ 3,267,826	\$ 2,970,754								
B. Contributions in relation to statutorily required contributions	<u>3,267,826</u>	<u>2,970,754</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. School District's covered-employee payroll	\$40,752,245	\$40,083,864								
E. Contributions as a percentage of covered-employee payroll	8.02%	7.41%								

OTHER SUPPLEMENTARY INFORMATION

Midland Public Schools
Other Supplementary Information
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		Total Non-major Governmental Funds
	Food Service	Charger Shop Bookstore	Chemic Corner Bookstore	2015 Building and Site Bond Fund	PRME	Sinking Fund	
Assets							
Cash	\$ 555,089	\$ 63,634	\$ 731	\$ 910,461	\$ 1,738,912	\$ 365,220	\$ 3,634,047
Accounts receivable	2,178	-	-	-	-	-	2,178
Due from other funds	-	-	-	3,529	-	-	3,529
Due from other governmental units	76,661	-	-	-	-	-	76,661
Inventory	21,270	-	-	-	-	-	21,270
Prepaid items	12,735	-	-	458	-	-	13,193
Total assets	<u>\$ 667,933</u>	<u>\$ 63,634</u>	<u>\$ 731</u>	<u>\$ 914,448</u>	<u>\$ 1,738,912</u>	<u>\$ 365,220</u>	<u>\$ 3,750,878</u>
Liabilities							
Accounts payable	\$ 103,521	\$ -	\$ 595	\$ -	\$ 189,510	\$ -	\$ 293,626
Due to other governmental units	64	-	-	4,116	-	-	4,180
Unearned revenue	79,578	-	-	-	-	-	79,578
Total liabilities	<u>183,163</u>	<u>-</u>	<u>595</u>	<u>4,116</u>	<u>189,510</u>	<u>-</u>	<u>377,384</u>
Fund Balance							
Non-spendable							
Inventory	21,270	-	-	-	-	-	21,270
Prepaid items	12,735	-	-	458	-	-	13,193
Restricted for							
Capital improvements	-	-	-	-	-	365,220	365,220
Food service	450,765	-	-	-	-	-	450,765
Debt service	-	-	-	909,874	-	-	909,874
Assigned	-	63,634	136	-	1,549,402	-	1,613,172
Total fund balance	<u>484,770</u>	<u>63,634</u>	<u>136</u>	<u>910,332</u>	<u>1,549,402</u>	<u>365,220</u>	<u>3,373,494</u>
Total liabilities and fund balance	<u>\$ 667,933</u>	<u>\$ 63,634</u>	<u>\$ 731</u>	<u>\$ 914,448</u>	<u>\$ 1,738,912</u>	<u>\$ 365,220</u>	<u>\$ 3,750,878</u>

Midland Public Schools
Other Supplementary Information
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		Total Non-major Governmental Funds
	Food Service	Charger Shop Bookstore	Chemic Corner Bookstore	2015 Building and Site Bond Fund	PRME	Sinking Fund	
Revenues							
Local sources	\$ 887,147	\$ 23,808	\$ 7,543	\$ 7,044,786	\$ 146,042	\$ 5,229	\$ 8,114,555
State sources	86,143	-	-	-	-	-	86,143
Federal sources	1,461,478	-	-	-	-	-	1,461,478
Total revenues	2,434,768	23,808	7,543	7,044,786	146,042	5,229	9,662,176
Expenditures							
Current							
Education							
Supporting services	-	19,023	8,905	-	42,057	-	69,985
Food services	2,386,892	-	-	-	-	-	2,386,892
Capital outlay	41,230	-	-	-	897,463	315,903	1,254,596
Debt service							
Principal	-	-	-	4,375,000	-	-	4,375,000
Interest and other expenditures	-	-	-	2,545,151	-	-	2,545,151
Total expenditures	2,428,122	19,023	8,905	6,920,151	939,520	315,903	10,631,624
Excess (deficiency) of revenues over expenditures	6,646	4,785	(1,362)	124,635	(793,478)	(310,674)	(969,448)

Midland Public Schools
Other Supplementary Information
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		Total Non-major Governmental Funds
	Food Service	Charger Shop Bookstore	Chemic Corner Bookstore	2015 Building and Site Bond Fund	PRME	Sinking Fund	
Other financing sources (uses)							
Insurance recoveries	\$ -	\$ -	\$ -	\$ -	\$ 183,724	\$ -	\$ 183,724
Transfers in	-	-	-	-	1,000,000	-	1,000,000
Transfers out	(10,452)	-	-	-	-	-	(10,452)
Total other financing sources (uses)	(10,452)	-	-	-	1,183,724	-	1,173,272
Net change in fund balance	(3,806)	4,785	(1,362)	124,635	390,246	(310,674)	203,824
Fund balance - beginning	488,576	58,849	1,498	785,697	1,159,156	675,894	3,169,670
Fund balance - ending	\$ 484,770	\$ 63,634	\$ 136	\$ 910,332	\$ 1,549,402	\$ 365,220	\$ 3,373,494

Midland Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 20,262,391	\$ 16,091,569
Pledges receivable	-	1,350,000
Accounts receivable	43,665	27,437
Due from other governmental units	10,639,811	9,838,794
Interest receivable	35,190	30,055
Inventory	72,140	15,963
Prepaid items	197,578	208,367
Total assets	\$ 31,250,775	\$ 27,562,185
Liabilities		
Accounts payable	\$ 1,191,819	\$ 390,832
Due to other funds	4,095	2,974
Due to other governmental units	27,483	58,605
Payroll deductions and withholdings	2,618,172	2,479,691
Accrued expenditures	98,342	434,800
Accrued salaries payable	4,131,406	3,995,577
Unearned revenue	479,408	387,667
Total liabilities	8,550,725	7,750,146
Deferred inflows of resources		
Unavailable revenue		
Pledges	-	1,350,000
Total liabilities and deferred inflows of resources	8,550,725	9,100,146

Midland Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Fund balance		
Non-spendable		
Inventory	\$ 72,140	\$ 15,963
Prepaid items	197,578	208,367
Restricted for		
Contributions for special projects	148,024	161,542
International Baccalaureate	-	22,511
STEM	1,996,309	1,245,503
Assigned for		
Medical expenses	873,024	-
Post-bond copier replacements	600,000	400,000
Technology replacement	500,000	250,000
Unassigned		
Cash flow management	18,312,975	16,158,153
Total fund balance	22,700,050	18,462,039
 Total liabilities, deferred inflows of resources, and fund balance	 \$ 31,250,775	 \$ 27,562,185

Midland Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues
For the Year Ended June 30, 2019 and 2018

	2019	2018
Revenue from local sources		
Property tax levy	\$ 19,487,964	\$ 19,161,975
Tuition	83,553	23,645
Transportation fees	36,530	34,233
Earnings on investments	346,038	132,690
Student activities	412,340	414,783
Community service activities	274,884	576,052
Other local revenues	1,806,864	1,354,030
Total revenues from local sources	22,448,173	21,697,408
Revenues from state sources		
Grants - unrestricted	42,578,935	41,550,635
Grants - restricted	10,909,972	11,335,995
State payments in lieu of taxes	1,229,281	1,216,326
Total revenues from state sources	54,718,188	54,102,956
Revenues from federal sources		
Grants	1,364,072	1,249,302
Interdistrict sources		
Tuition	199,008	100,128
ISD collected millage	4,972,928	4,630,308
Cooperative education	28,224	29,628
Other	18,534	62,921
Total interdistrict sources	5,218,694	4,822,985
Other financing sources		
Proceeds from sale of capital assets	5,544	7,020
Transfers in	10,452	8,158
Total other financing sources	15,996	15,178
Total revenue and other financing sources	\$ 83,765,123	\$ 81,887,829

Midland Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Basic program - elementary school		
Salaries	\$ 10,220,030	\$ 10,289,929
Employee benefits	6,724,672	6,701,477
Purchased services	255,935	287,479
Supplies and materials	320,252	402,289
Other	<u>63,815</u>	<u>42,600</u>
Total elementary	<u>17,584,704</u>	<u>17,723,774</u>
Basic program - middle school		
Salaries	5,355,330	5,347,036
Employee benefits	3,293,986	3,263,223
Purchased services	82,749	98,689
Supplies and materials	193,773	86,887
Other	<u>6,089</u>	<u>2,394</u>
Total middle school	<u>8,931,927</u>	<u>8,798,229</u>
Basic program - high school		
Salaries	7,275,465	7,094,339
Employee benefits	4,554,245	4,482,415
Purchased services	186,587	152,726
Supplies and materials	311,008	290,541
Other	<u>32,333</u>	<u>1,433</u>
Total high school	<u>12,359,638</u>	<u>12,021,454</u>
Basic program - pre-school		
Salaries	132,636	101,457
Employee benefits	90,215	58,345
Purchased services	11,203	729
Supplies and materials	<u>21,963</u>	<u>13,165</u>
Total pre-school	<u>256,017</u>	<u>173,696</u>

Midland Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2019 and 2018

	2019	2018
Basic program - summer school		
Salaries	\$ 34,670	\$ 12,336
Employee benefits	15,694	5,501
Purchased services	2,825	-
Supplies and materials	<u>1,752</u>	<u>28,377</u>
Total summer school	<u>54,941</u>	<u>46,214</u>
Added needs - special education		
Salaries	5,184,051	5,038,181
Employee benefits	3,116,751	3,077,522
Purchased services	106,253	75,229
Supplies and materials	35,854	33,439
Other	<u>1,960,795</u>	<u>2,055,169</u>
Total special education	<u>10,403,704</u>	<u>10,279,540</u>
Added needs - compensatory education		
Salaries	538,596	364,943
Employee benefits	293,883	191,380
Purchased services	37,328	27,791
Supplies and materials	<u>11,544</u>	<u>20,106</u>
Total compensatory education	<u>881,351</u>	<u>604,220</u>
Added needs - career and technical education		
Salaries	324,897	311,300
Employee benefits	178,319	176,046
Purchased services	64,539	65,064
Supplies and materials	31,607	17,981
Other	<u>48,909</u>	<u>41,940</u>
Total career and technical education	<u>648,271</u>	<u>612,331</u>

Midland Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Pupil - guidance services		
Salaries	\$ 714,467	\$ 706,194
Employee benefits	447,457	444,672
Purchased services	80,047	96,865
Supplies and materials	<u>2,510</u>	<u>3,307</u>
Total guidance services	<u>1,244,481</u>	<u>1,251,038</u>
Pupil - health services		
Salaries	332,164	326,442
Employee benefits	227,436	227,313
Purchased services	61,431	68,150
Supplies and materials	<u>3,385</u>	<u>3,894</u>
Total health services	<u>624,416</u>	<u>625,799</u>
Pupil - psychological services		
Salaries	358,853	338,933
Employee benefits	228,806	224,724
Purchased services	8,466	-
Supplies and materials	<u>9,854</u>	<u>6,993</u>
Total psychological services	<u>605,979</u>	<u>570,650</u>
Pupil - speech services		
Salaries	688,654	596,439
Employee benefits	422,729	376,961
Purchased services	36,031	-
Supplies and materials	<u>4,732</u>	<u>5,781</u>
Total speech services	<u>1,152,146</u>	<u>979,181</u>

Midland Public Schools
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Schedule of Expenditures
For the Year Ended June 30, 2019 and 2018

	2019	2018
Pupil - social work services		
Salaries	\$ 201,759	\$ 231,684
Employee benefits	142,021	164,111
Supplies and materials	2,062	641
Total social work services	<u>345,842</u>	<u>396,436</u>
Pupil - visual aid services		
Salaries	8,555	7,630
Employee benefits	3,895	3,515
Total visual aid services	<u>12,450</u>	<u>11,145</u>
Pupil - teacher consultant		
Salaries	4,953	4,654
Employee benefits	2,279	2,048
Total teacher consultant	<u>7,232</u>	<u>6,702</u>
Pupil - other support services		
Salaries	348,187	326,364
Employee benefits	161,088	157,700
Purchased services	76,659	69,863
Supplies and materials	25,701	39,992
Other	10,406	2,672
Total other pupil support services	<u>622,041</u>	<u>596,591</u>
Instructional staff - improvement of education		
Salaries	1,403,822	1,235,581
Employee benefits	880,266	764,727
Purchased services	316,050	222,536
Supplies and materials	91,709	35,074
Other	6,354	3,750
Total improvement of education	<u>2,698,201</u>	<u>2,261,668</u>

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	2019	2018
Instructional staff - educational media services		
Salaries	\$ 224,447	\$ 232,393
Employee benefits	139,111	139,712
Purchased services	30,656	29,602
Supplies and materials	36,594	26,642
Total educational media services	430,808	428,349
Instructional staff - technology assisted instruction		
Salaries	487,583	581,878
Employee benefits	365,874	424,514
Purchased services	105,791	75,740
Supplies and materials	12,636	18,738
Other	23,782	39,014
Total technology assisted instruction	995,666	1,139,884
Instructional staff - supervision and direction of instructional staff		
Salaries	477,743	315,359
Employee benefits	303,059	201,942
Purchased services	5,984	6,248
Supplies and materials	5,988	648
Total supervision and direction of instructional staff	792,774	524,197
General administration - board of education		
Purchased services	95,747	73,283
Other	14,062	14,397
Total board of education	109,809	87,680

Midland Public Schools
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	<u>2019</u>	<u>2018</u>
General administration - executive administration		
Salaries	\$ 403,166	\$ 391,322
Employee benefits	237,676	236,378
Purchased services	21,839	10,646
Supplies and materials	<u>4,541</u>	<u>7,411</u>
Total executive administration	<u>667,222</u>	<u>645,757</u>
School administration - office of the principal		
Salaries	2,797,562	2,728,362
Employee benefits	1,782,919	1,728,052
Purchased services	26,688	22,413
Supplies and materials	35,786	27,304
Other	<u>-</u>	<u>555</u>
Total office of the principal	<u>4,642,955</u>	<u>4,506,686</u>
Business - fiscal services		
Salaries	343,709	325,232
Employee benefits	225,720	213,093
Purchased services	20,607	21,300
Supplies and materials	3,654	7,097
Other	<u>16,023</u>	<u>17,663</u>
Total fiscal services	<u>609,713</u>	<u>584,385</u>
Business - internal services		
Purchased services	-	4,839
Supplies and materials	<u>122,888</u>	<u>82,126</u>
Total internal services	<u>122,888</u>	<u>86,965</u>

Midland Public Schools
Other Supplementary Information
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Schedule of Expenditures
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	2019	2018
Business - other		
Purchased services	\$ 175,841	\$ 111,309
Other	143,031	125,468
Total other business	318,872	236,777
Operations and maintenance - operating building services		
Salaries	979,188	1,029,203
Employee benefits	746,714	787,487
Purchased services	2,009,339	2,041,612
Supplies and materials	1,851,914	1,821,404
Other	125	1,054
Total operating building services	5,587,280	5,680,760
Pupil transportation services		
Salaries	1,167,762	1,215,044
Employee benefits	873,266	888,358
Purchased services	85,667	61,242
Supplies and materials	364,146	319,435
Other	22,701	9,058
Total transportation services	2,513,542	2,493,137
Central - communication services		
Purchased services	2,682	3,465
Supplies and materials	1,567	7,332
Total communication services	4,249	10,797
Central - staff/personnel services		
Salaries	193,608	442,494
Employee benefits	140,704	158,391
Purchased services	75,946	96,634
Supplies and materials	9,071	21,157
Other	816	552
Total staff/personnel services	420,145	719,228

Midland Public Schools
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For the Year Ended June 30, 2019 and 2018

	2019	2018
Central - support services technology		
Salaries	\$ 285,436	\$ 265,276
Employee benefits	194,349	190,730
Purchased services	461,513	298,629
Supplies and materials	49,571	59,491
Other	10,608	48,126
Total support services technology	1,001,477	862,252
Other support services		
Salaries	62,113	61,602
Employee benefits	29,094	29,467
Total other	91,207	91,069
Athletic activities		
Salaries	486,328	490,466
Employee benefits	229,231	240,816
Purchased services	209,198	193,591
Supplies and materials	50,947	87,682
Other	101,672	90,212
Total athletic activities	1,077,376	1,102,767
Community services - community activities		
Salaries	26,888	72,662
Employee benefits	19,365	55,226
Purchased services	2,000	3,041
Supplies and materials	5,537	15,277
Total community activities	53,790	146,206

Midland Public Schools
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	2019	2018
Community services - non-public school pupils		
Salaries	\$ 30,859	\$ 26,233
Employee benefits	19,063	16,232
Purchased services	7,072	6,001
Total non-public school pupils	56,994	48,466
Capital outlay		
Basic program - elementary	7,063	17,421
Basic program - middle school	17,929	23,252
Basic program - high school	20,388	12,000
Added needs - career and technical education	6,546	20,975
Instructional staff - improvement of education	848	1,188
Instructional staff - technology assisted instruction	38,353	26,243
School administration - office of the principal	985	9,707
Business - fiscal services	-	2,765
Operations and maintenance - operating building services	245,143	98,756
Pupil transportation services	31,212	38,377
Central - support services technology	211,212	62,822
Facilities acquisition	17,325	-
Total capital outlay	597,004	313,506
Other financing uses		
Transfers out	1,000,000	600,000
Total expenditures and financing uses	\$ 79,527,112	\$ 77,267,536