

**Midland Public Schools**

**Financial Statements  
and Compliance**

**2015 School Building and Site Bonds, Series 1**

**May 21, 2015 through August 28, 2019**



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## **Independent Auditors' Report**

Management and the Board of Education  
Midland Public Schools

We have audited the accompanying financial statements of the 2015 School Building and Site Bonds, Series 1 of Midland Public Schools, which comprise the balance sheet as of August 28, 2019, and the related statement of revenues, expenditures and changes in fund balance for the period May 21, 2015 through August 28, 2019, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Midland Public Schools' 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 an opinion 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 School District'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 School District'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2015 School Building and Site Bonds, Series 1 of Midland Public Schools, as of August 28, 2019, and the change in fund balance for the period May 21, 2015 through August 28, 2019 in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

We draw attention to Note 1 to the financial statements, which explains that the accompanying financial statements are not intended to be a presentation of the School District's total assets, liabilities, fund balances, revenues and expenditures.

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## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the School District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 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 other agreements and other matters in relation to its 2015 School Building and Site Bonds, Series 1. 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 School District's 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 School's internal control over financial reporting and compliance in relation to its 2015 School Building and Site Bonds, Series 1.

*Yeo & Yeo, P.C.*

Saginaw, MI  
September 18, 2019

**Midland Public Schools**  
**2015 School Building and Site Bonds, Series 1**  
**Balance Sheet**  
**August 28, 2019**

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**Assets**

|             |                |
|-------------|----------------|
| Cash        | \$ 28,231      |
| Investments | <u>459,486</u> |

|              |                   |
|--------------|-------------------|
| Total assets | <u>\$ 487,717</u> |
|--------------|-------------------|

**Fund balance**

|                                 |                   |
|---------------------------------|-------------------|
| Fund balance                    |                   |
| Restricted for capital projects | <u>\$ 487,717</u> |

**Midland Public Schools**  
**2015 School Building and Site Bonds, Series 1**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Period date through May 21, 2015 through August 28, 2019**

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**Revenues**

|               |              |
|---------------|--------------|
| Local revenue | \$ 1,740,825 |
|---------------|--------------|

**Expenditures**

|                                       |            |
|---------------------------------------|------------|
| Fiscal services                       | 127,500    |
| Business services                     | 56,385     |
| Transportation                        | 806,632    |
| Technology services                   | 5,017,462  |
| Site improvement                      | 6,360,389  |
| Architecture and engineering services | 7,815,918  |
| Building improvement                  | 52,002,512 |
| Building improvement services         | 4,145      |
| Other                                 | 1,438,241  |
| Bond issuance costs                   | 430,007    |

|                    |            |
|--------------------|------------|
| Total expenditures | 74,059,191 |
|--------------------|------------|

|   |              |
|---|--------------|
| Deficiency of revenues under expenditures | (72,318,366) |
|---|--------------|

**Other financing sources (uses)**

|   |            |
|---|------------|
| Proceeds from issuance of 2015 School Building and Site Bonds, Series 1 | 64,110,000 |
| Premium on debt issued  | 8,696,083  |

|   |            |
|---|------------|
| Total other financing sources over uses | 72,806,083 |
|---|------------|

|  |         |
|--|---------|
| Excess of revenues and other financing<br>sources over expenditures and other uses | 487,717 |
|--|---------|

|                                     |   |
|-------------------------------------|---|
| Fund balance at beginning of period | - |
|-------------------------------------|---|

|                               |            |
|-------------------------------|------------|
| Fund balance at end of period | \$ 487,717 |
|-------------------------------|------------|

**Midland Public Schools**  
**Notes to the Financial Statements**  
**August 28, 2019**

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**Note 1 - Reporting Entity**

Midland Public Schools has oversight responsibility and control over all activities related to public school education in the Midland Public Schools.

The School District's Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheets and the statements of revenues and expenditures of the 2015 School Building and Site Bonds, Series 1 of the School District and its activities are considered to be part of the School District and controlled by the Board of Education. The financial statements are not intended to be a presentation of the School District's total assets, liabilities, equity, revenues and expenditures.

**Note 2 - Bond Description**

**2015 School Building and Site Bonds, Series 1**

The School District issued the 2015 School Building and Site Bonds, Series 1 on May 21, 2015 in the amount of \$64,110,000. The principal and interest on this bond issue will be financed primarily from local property taxes. The bonds, dated May 21, 2015, which bear interest between 4.0% and 5.0% are due serially through May 2034. The bond proceeds and interest income earned on those proceeds were used for the purpose of erecting, furnishing and equipping an addition or additions to and partially remodeling, refurnishing and re-equipping the Midland Public Schools.

**Note 3 - Basis of Presentation**

The accompanying balance sheet and statement of revenues, expenditures and changes in fund balance have been prepared based on the modified accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The accompanying financial statements reflect the activities of the 2015 School Building and Site Bonds, Series 1 recorded in the School District's Capital Project Funds from the date of the bond issue, May 21, 2015, through project completion, August 28, 2019. The project was substantially complete and less than 5% of bond proceeds were remaining.

**Midland Public Schools**  
**2015 School Building and Site Bonds, Series 1**  
**Supplementary Information**  
**Expenditure Detail and Reconciliation**  
**For the Period date through May 21, 2015 through August 28, 2019**

|                                       | <u>5/21/15-<br/>6/30/2015</u> | <u>7/1/15-<br/>6/30/2016</u> | <u>7/1/16-<br/>6/30/2017</u> | <u>7/1/17-<br/>6/30/2018</u> | <u>7/1/18-<br/>6/30/2019</u> | <u>7/1/19-<br/>8/28/2019</u> | <u>Total</u>         |
|---------------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------------|
| Fiscal services                       | \$ 875                        | \$ 90,295                    | \$ 12,330                    | \$ 12,000                    | \$ 12,000                    | \$ -                         | \$ 127,500           |
| Business services                     | -                             | -                            | 40,844                       | 10,350                       | 5,191                        | -                            | 56,385               |
| Transportation                        | -                             | -                            | 180,882                      | 172,793                      | 254,115                      | 198,842                      | 806,632              |
| Technology services                   | -                             | 1,704,014                    | 949,637                      | 1,439,106                    | 858,511                      | 66,194                       | 5,017,462            |
| Site improvement                      | -                             | 2,347,196                    | 773,671                      | 1,899,647                    | 1,339,875                    | -                            | 6,360,389            |
| Architecture and engineering services | 472,494                       | 1,581,553                    | 1,971,333                    | 1,492,909                    | 2,234,747                    | 62,882                       | 7,815,918            |
| Building improvement                  | 3,382                         | 6,167,053                    | 22,383,075                   | 12,203,775                   | 11,080,655                   | 164,572                      | 52,002,512           |
| Building improvement services         | -                             | -                            | -                            | -                            | 4,145                        | -                            | 4,145                |
| Other                                 | -                             | 390                          | 105,283                      | 1,002,677                    | 329,891                      | -                            | 1,438,241            |
| Bond issuance cost                    | <u>430,007</u>                | <u>-</u>                     | <u>-</u>                     | <u>-</u>                     | <u>-</u>                     | <u>-</u>                     | <u>430,007</u>       |
| Total bond expenditures               | <u>\$ 906,758</u>             | <u>\$ 11,890,501</u>         | <u>\$ 26,417,055</u>         | <u>\$ 18,233,257</u>         | <u>\$ 16,119,130</u>         | <u>\$ 492,490</u>            | <u>\$ 74,059,191</u> |

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With  
*Government Auditing Standards***

**Independent Auditors' Report**

Management and the Board of Education  
Midland Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the bond financial statements of the 2015 School Building and Site Bonds, Series 1 of Midland Public Schools, which comprise the balance sheet as of August 28, 2019 and, the related statement of revenues, expenditures and changes in fund balance for the period May 21, 2015 through August 28, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2019.

**Internal Control Over Financial Reporting**

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

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

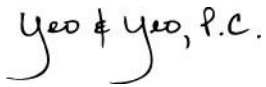
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Midland Public School's bond financial statements for the 2015 School Building and Site Bonds, Series 1 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and other agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Handwritten signature of Yeo & Yeo, P.C.

Saginaw, MI  
September 18, 2019