

Midland Public Schools

**Financial Statements
and Compliance**

**2019 School Building and Site Bonds, Series II
Period May 7, 2019 through
June 30, 2023**



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of the 2019 School Building and Site Bonds, Series II of Midland Public Schools which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenditures and changes in fund balance for the period May 7, 2019 through June 30, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2019 School Building and Site Bonds, Series II of Midland Public Schools, as of June 30, 2023, and the change in fund balance for the period May 7, 2019 through June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Information section of our report. We are required to be independent of Midland Public Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Information

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Midland Public Schools' ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Midland Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Midland Public Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 Midland Public Schools' total assets, liabilities, fund balances, revenues, and expenditures.

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 Midland Public Schools' 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 November 1, 2023 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 2019 School Building and Site Bonds, Series II. 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 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 in relation to its 2019 School Building and Site Bonds, Series II.

Yeo & Yeo, P.C.

Midland, Michigan
November 1, 2023

Midland Public Schools
2019 School Building and Site Bonds, Series II
Balance Sheet
June 30, 2023

Assets

Cash	\$ 141,312
Investments	<u>2,147,686</u>

Total assets	<u>\$ 2,288,998</u>
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Liabilities and fund balance

Accounts payable	\$ 370,854
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Fund balance	
Restricted for capital projects	<u>1,918,144</u>

Total liabilities and fund balance	<u>\$ 2,288,998</u>
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Midland Public Schools
2019 School Building and Site Bonds, Series II
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Period May 7, 2019 through June 30, 2023

Revenues

Investment income	\$ 2,206,858
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Expenditures

Site improvements	4,901,192
Building improvements	26,357,937
Professional services	4,113,095
Vehicle purchases	1,084,374
Furnishing and equipment	679,942
Technology improvements	3,438,944
Other expenses	25
Bond issuance costs	<u>286,625</u>

Total expenditures	<u>40,862,134</u>
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Deficiency of revenues under expenditures	<u>(38,655,276)</u>
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Other financing sources

Proceeds from issuance of 2019 School Building and Site Bonds, Series II	34,930,000
Premium on debt issued	<u>5,643,420</u>

Total other financing sources	<u>40,573,420</u>
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Excess of revenues and other financing sources over expenditures	1,918,144
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Fund balance at beginning of period	<u>-</u>
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Fund balance at end of period	<u>\$ 1,918,144</u>
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Midland Public Schools
Notes to the Financial Statements
June 30, 2023

Note 1 - Reporting Entity

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

The 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 2019 School Building and Site Bonds, Series II of the District and its activities are considered to be part of the District and controlled by the Board of Education. The financial statements are not intended to be a presentation of the District's total assets, liabilities, fund balance, revenues, and expenditures.

Note 2 - Bond Description

2019 School Building and Site Bonds, Series II

The District issued the 2019 School Building and Site Bonds, Series II on May 7, 2019 in the amount of \$34,930,000. The principal and interest on this bond issue will be financed primarily from local property taxes. The bonds, dated May 7, 2019, which bear interest between 4.00% and 5.00%, are due serially through 2029. The bond proceeds and interest income earned on those proceeds were used for the purpose of installing security measures for, remodeling, furnishing and refurnishing and equipping and re-equipping school buildings; erecting, furnishing and equipping additions to school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; purchasing school buses; developing and improving playgrounds, play fields, athletic fields and facilities, parking and driveway areas and sites and paying the costs of issuing the Bonds.

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 2019 School Building and Site Bonds, Series II recorded in the District's Capital Project Funds from the date of the bonds issue, May 7, 2019, through project completion, June 30, 2023, as the project was substantially complete and less than 5% of bond proceeds were remaining

Midland Public Schools
2019 School Building and Site Bonds, Series II
Supplementary Information
Expenditure Detail and Reconciliation
For the Period May 7, 2019 through June 30, 2023

	May 7, 2019 - June 30, 2019	July 1, 2019 - June 30, 2020	July 1, 2020 - June 30, 2021	July 1, 2021 - June 30, 2022	July 1, 2022 - June 30, 2023	Total
Site improvements	\$ -	\$ 2,602,493	\$ 1,816,568	\$ 347,361	\$ 134,770	\$ 4,901,192
Building improvements	1,188,649	7,810,383	5,327,419	9,333,467	2,698,019	26,357,937
Professional services	-	1,563,949	1,334,294	1,031,905	182,947	4,113,095
Vehicle purchases	-	125,830	567,398	391,146	-	1,084,374
Furnishing and equipment	2,994	597,269	-	79,679	-	679,942
Technology improvements	25,150	357,523	297,369	1,156,498	1,602,404	3,438,944
Other expenses	25	-	-	-	-	25
Bond issuance cost	286,167	458	-	-	-	286,625
Total bond expenditures	<u>\$ 1,502,985</u>	<u>\$ 13,057,905</u>	<u>\$ 9,343,048</u>	<u>\$ 12,340,056</u>	<u>\$ 4,618,140</u>	<u>\$ 40,862,134</u>

**Report on Internal Control Over Financial Reporting and on Compliance an 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
Midland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the bond financial statements of the 2019 School Building and Site Bonds, Series II of Midland Public Schools which comprise the balance sheet as of June 30, 2023 and, the related statement of revenues, expenditures and changes in fund balance for the period May 7, 2019 through June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midland Public Schools' internal control over financial reporting (internal control) as a basis for designing 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 and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midland Public Schools' bond financial statements for the 2019 School Building and Site Bonds, Series II 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 financial statements. 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.

Yeo & Yeo, P.C.

Midland, Michigan
November 1, 2023