

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary and additional information)  
**JUNE 30, 2011**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2011

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# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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July 13, 2011

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Harbor Springs Public Schools  
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harbor Springs Public Schools, Harbor Springs, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harbor Springs Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Harbor Springs Public Schools, Harbor Springs, Michigan, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2011, on our consideration of Harbor Springs 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through x and 27 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harbor Springs Public Schools, Harbor Springs, Michigan's financial statements as a whole. The combining financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

As management of *Harbor Springs Public Schools* (the "District"), a K-12 school district located in Emmet County, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

The District's financial statements consist of Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- The next statements are *fund financial statements* that focus on individual funds of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds – the General Fund and the Sinking Fund, with all other funds presented in one column as non-major funds.

The *statement of fiduciary net assets* and the *statement of changes in fiduciary net assets – private purpose trust funds*, present financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

**District-wide financial statements.** The *District-wide financial statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets and the statement of activities, which appear first in the District's financial statements, include all assets and liabilities and use the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

the goal, the District's goal is to provide services to our students. Therefore, in order to assess the overall health of the District, one must consider many non-financial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities and the safety of the schools.

The statement of net assets and statement of activities report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, food services and athletics. Property taxes, unrestricted state aid, state grants, and federal grants finance most of these activities.

**Fund financial statements.** The District's *fund financial statements* provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The fund level financial statements are reported on a modified accrual basis, which measures only those revenues that are “measurable” and “currently available”. Expenses are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. 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 including:

- Debt Service Funds – consisting of the 1991, 2001, 2006, 2007, 2010 and Durant Debt Service Funds.
- Special Revenue Funds – consisting of the Food Service Fund, and the Community Services Fund.
- Capital Projects Funds – consisting of the 2001 Bond Construction Capital Project Fund and the Building & Site Fund (Sinking Fund).

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

**Financial Analysis of the District as a Whole**

As stated earlier, the statement of net assets provides the perspective of the District as a whole. The District's net assets at June 30, 2011 increased approximately 10% percent to approximately \$17.885 million. Table 1 provides a summary of the District's net assets as of June 30, 2011 and 2010:

**Harbor Springs Public Schools**  
**Net Assets**  
**Table 1**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets	\$ 5,393,320	\$ 5,864,136
Non-current assets, net of accumulated depreciation and amortization	41,103,865	41,191,663
<b>Total Assets</b>	<b>46,497,185</b>	<b>47,055,799</b>
<b>Liabilities</b>		
Current liabilities	3,675,032	3,884,346
Long-term liabilities	24,936,603	26,898,637
<b>Total Liabilities</b>	<b>28,611,635</b>	<b>30,782,983</b>
Invested in capital assets, net of related debt	13,954,856	12,035,683
Restricted for specific purpose	54,814	104,915
Unrestricted	3,875,880	4,132,218
<b>Total Net Assets</b>	<b>\$ 17,885,550</b>	<b>\$ 16,272,816</b>

Investment in capital assets, net of related debt of \$13,954,856, is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid from voter-approved property taxes collected as the debt and interest payments come out. Restricted net assets of \$54,814 are shown separately to recognize legal constraints from a voter approved tax levy. These constraints limit the District's ability to use those net assets for day-to-day operations.

The remaining amount of unrestricted net assets of approximately \$3,875,880 represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The results of this year's operations for the District as a whole are reported in the statement of activities, summarized in Table 2, which shows the changes in net assets for fiscal year 2011 and 2010:

**Harbor Springs Public Schools**  
**Change in Net Assets**  
**Table 2**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 525,800	\$ 546,161
Grants and contributions	1,518,893	1,034,760
General revenues		
Property taxes	13,845,552	14,710,467
Unrestricted investment interest	53,893	92,891
Unrestricted state aid	43,799	8,791
Gain on Sale of Capital Assets	2,000	672
Other	112,389	50,822
<b>Total Revenues</b>	<b>16,102,326</b>	<b>16,444,564</b>
<b>Expenses</b>		
Instruction	6,925,630	7,365,242
Support services	4,316,879	4,211,154
Community services	301,197	329,488
Food services	378,554	376,105
Other transactions	105,821	43,165
Interest/fees on long-term debt	1,362,831	1,570,572
Depreciation (unallocated)	1,098,680	1,140,266
<b>Total Expenses</b>	<b>14,489,592</b>	<b>15,035,992</b>
<b>Increase in Net Assets</b>	<b>\$ 1,612,734</b>	<b>\$ 1,408,572</b>

Of the District's total revenues available to operate the District, approximately 3 percent or \$526 thousand came from fees charged to those who benefited from the programs. Approximately 9 percent or \$1.5 million of revenues came from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Local property taxes, in the amount of approximately \$13.8 million, mainly supported the remaining portion of the governmental activities. The property tax revenue represents 13.9911 mills on all non-homestead property, which the District is required by the State to levy in order to receive the full State foundation allowance. Additional mills were levied for sinking fund and debt retirement funds.

The State guaranteed foundation allowance for the District is \$8,677, per student and local revenue is \$10,073, per student, resulting in our District being an out-of-formula district. The local revenue generated above the state foundation allowance remains in our District. The District also receives \$713K in tax revenue that is generated by a special millage specifically for capital expenditures. The proceeds and expenditures of this special millage are accounted for exclusively in the District's Building and Site Fund (Sinking Fund). This special millage was voted in May 2007 and will expire on December 31, 2011.

The expense portion of Table 2 shows the financial support each functional area required during the year. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$6.9 million or 48 percent of total expenses. Support services amounted to approximately \$4.3 million or 30 percent of all expenses, which includes such items as transportation, maintenance, security, supervision, counseling, athletics, and a variety of similar services that support the District's mission of educating children.

The District experienced an increase in net assets of \$1,612,734 or approximately 10 percent. A key reason for the increase in net assets is that, under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as an expense. The increase in net assets differs from the change in fund balance and a reconciliation appears later in the financial statements.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately \$4 million, which is a decrease of approximately \$487 thousand from the prior year.

Approximately 39 percent of total combined fund balance, or \$1.585 million, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance, or approximately \$2.456 million, is *nonspendable, restricted, or assigned* to indicate that it is not available for spending at the District's discretion.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$1.585 million, while total fund balance was approximately \$3.422 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance each represent approximately 14 and 29 percent, respectively, of total General Fund expenditures (excluding transfers out).

The fund balance of the District's General Fund decreased by approximately \$112 thousand during the current fiscal year. This decrease is attributable to less revenue than last year with increased wages and benefits for the current fiscal year.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires the budget be amended to ensure expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in the financial statements. Major changes to the General Fund original budget were:

- The District's General Fund revenue changes were: increase in local revenues due to board of review changes in non-homestead taxable values; increase in state aid and increase in federal aid mainly Edu-jobs funds.
- The District's General Fund expenditure changes were: Insurance savings beginning in June of 2011 thanks to the teachers; Staff reductions; utility costs coming in lower due to the warm winter.

**Capital Asset and Debt Administration**

**Capital assets.** By the end of June 30, 2011, the District had invested approximately \$40.3 million in a broad range of capital assets, including school buildings, land, vehicles, furniture and equipment (net of depreciation). This represents a net decrease (including all additions) of approximately \$93 thousand from last year. More detailed information about capital assets is available in Note 3 C. to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

**Harbor Springs Public Schools**  
**Capital Assets**

	<u>2011</u>	<u>2010</u>
Land	\$ 2,660,623	\$ 2,660,623
Construction-in-progress	0	19,073
Land improvements	2,072,609	2,065,809
Buildings and additions	44,908,144	43,980,069
Furniture and equipment	2,380,544	2,483,134
Transportation equipment	<u>669,026</u>	<u>657,526</u>
Total capital assets	52,690,946	51,866,234
Less accumulated depreciation	<u>12,359,345</u>	<u>11,440,952</u>
<b>Net capital assets</b>	<u><u>\$ 40,331,601</u></u>	<u><u>\$ 40,425,282</u></u>

**Debt.** At year-end, the District had approximately \$26.8 million in general obligation bonds and other long-term debt outstanding – a reduction of 8 percent from last year. More detailed information about the District's long-term debt is presented in Note 3 D. to the financial statements, and in the other supplementary information section.

**Harbor Springs Public Schools**  
**Long-Term Debt**

	<u>2011</u>	<u>2010</u>
Bonds and contracts payable	\$ 24,623,734	\$ 25,975,851
Other general obligation debt	<u>2,162,887</u>	<u>2,992,600</u>
<b>Total long-term debt</b>	<u><u>\$ 26,786,621</u></u>	<u><u>\$ 28,968,451</u></u>

**Factors Bearing on the District's Future**

We considered many factors when setting the District's 2011-12 fiscal year budget.

Approximately 88% of the General Fund revenues are from non-homestead property tax. That makes our non-homestead property values one of the most important factors impacting our budget. With the down turn in the economy we will need to keep a close watch on non-homestead property values. Non-Homestead property values (exclusive of commercial and industrial personal property) have decreased significantly from 2010/11 (\$706,997,987) to 2011/12 (\$677,877,371). Which is a loss of approximately \$612K for 2011/12 school year. It is expected that the reduction in property values will continue into the 2012/13 school year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The District is expecting to use \$1,187K of fund balance due to decrease in non-homestead property taxes and the increase in expenditures. This budget includes the retirement rate increasing from 20.66% to 24.46% - increase of \$186K; Insurance stays flat due to the changes in the health insurance for all staff; includes a 2% salary increase for Teachers and Support Staff and the lay-off of three teachers, one at Blackbird Elementary; one at Shay Elementary and one at the High School and one maintenance staff. Using a third party administrator to pay new directors. Administrators and Directors took a pay freeze for the 2011-12 school year. Based on early enrollment data at the start of the 2011-12 school year, we anticipate the September 2011 student count to be 940.

The District's labor contract with the Harbor Springs Education Association, which represents the District's teachers, is set for two years and will expire in August 2013. The District's labor contract with the Harbor Springs Educational Support Personnel Association, which represents the District's support personnel, is set for two years and will expire in July 2013.

**Contacting the School District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. It is also designed to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, 800 State Road, Harbor Springs, Michigan.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 4,031,065
Investments	1,223,409
Deposits	22,000
Accrued Interest Receivable	3,005
Accounts Receivable	9,663
Due from Other Governments	58,776
Inventories	45,402
Total Current Assets	<u>5,393,320</u>

NON CURRENT ASSETS

Deferred Issuance Costs - Net	248,973
Deferred Loss on Refunding - Net	523,291
Capital Assets	52,690,946
Less Accumulated Depreciation	<u>(12,359,345)</u>
Total Non Current Assets	<u>41,103,865</u>
TOTAL ASSETS	<u>46,497,185</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	84,337
Payroll Deductions and Withholdings	696
Accrued Expenses	313,794
Salaries Payable	725,341
Deferred Revenue	227,704
Current Portion of Non Current Liabilities	<u>2,323,160</u>
Total Current Liabilities	<u>3,675,032</u>

NON CURRENT LIABILITIES

Bonds Payable - Net	24,670,557
Accrued Interest	326,319
Compensated Absences	199,239
Early Retirement Incentive Contracts Payable	100,000
Other Obligations	1,963,648
Less Current Portion of Non Current Liabilities	<u>(2,323,160)</u>
Total Non Current Liabilities	<u>24,936,603</u>
Total Liabilities	<u>28,611,635</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	13,954,856
Restricted for Capital Projects	54,814
Unrestricted	<u>3,875,880</u>
Total Net Assets	<u>\$ 17,885,550</u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE)
					REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 6,925,630	\$ 33,448	\$ 1,247,112	\$ 0	\$ (5,645,070)
Supporting Services	4,316,879	123,230	103,130	0	(4,090,519)
Community Services	301,197	194,880	900	0	(105,417)
Food Service Activities	378,554	174,242	167,751	0	(36,561)
Interest on Long Term Debt	1,362,831	0	0	0	(1,362,831)
Other Transactions	105,821	0	0	0	(105,821)
Unallocated Depreciation	1,098,680	0	0	0	(1,098,680)
Total Governmental Activities	\$ 14,489,592	\$ 525,800	\$ 1,518,893	\$ 0	(12,444,899)
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					9,936,070
Property Taxes - Levied for Debt Service					3,196,568
Property Taxes - Levied for Sinking Capital Projects					712,914
Investment Earnings					53,893
State Sources					43,799
Gain on Sale of Capital Assets					2,000
Other					112,389
Total General Revenues					14,057,633
Change in Net Assets					1,612,734
NET ASSETS - Beginning of Year					16,272,816
NET ASSETS - End of Year					\$ 17,885,550

The notes to the financial statements are an integral part of this statement.



HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2011

	GENERAL FUND	SINKING FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 3,308,696	\$ 56,035	\$ 666,334	\$ 4,031,065
Investments	1,223,409	0	0	1,223,409
Deposits	0	0	22,000	22,000
Accounts Receivable	7,972	0	1,691	9,663
Due from Other Funds	133,373	0	5,974	139,347
Due from Other Governments	58,776	0	0	58,776
Accrued Interest Receivable	3,005	0	0	3,005
Inventories	39,533	0	5,869	45,402
TOTAL ASSETS	<u>\$ 4,774,764</u>	<u>\$ 56,035</u>	<u>\$ 701,868</u>	<u>\$ 5,532,667</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 58,641	\$ 1,221	\$ 24,475	\$ 84,337
Payroll Deductions and Withholdings	696	0	0	696
Salaries Payable	725,341	0	0	725,341
Accrued Expenses	313,483	0	311	313,794
Due to Other Funds	26,854	0	112,493	139,347
Deferred Revenue	227,704	0	0	227,704
Total Liabilities	<u>1,352,719</u>	<u>1,221</u>	<u>137,279</u>	<u>1,491,219</u>
<u>FUND BALANCE</u>				
Nonspendable - Inventory	39,533	0	5,869	45,402
Restricted for:				
Debt Service	0	0	323,837	323,837
Capital Projects	0	54,814	0	54,814
Food Service	0	0	2,745	2,745
Assigned, Reported in:				
General Fund	1,797,548	0	0	1,797,548
Special Revenue Fund-Community Services	0	0	232,138	232,138
Unassigned	1,584,964	0	0	1,584,964
Total Fund Balances	<u>3,422,045</u>	<u>54,814</u>	<u>564,589</u>	<u>4,041,448</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,774,764</u>	<u>\$ 56,035</u>	<u>\$ 701,868</u>	<u>\$ 5,532,667</u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS

JUNE 30, 2011

Total Governmental Fund Balances	\$ 4,041,448
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Amounts reported for governmental activities in the statement of net  
different because:

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

The cost of the capital assets is	\$ 52,690,946	
Accumulated depreciation is	<u>(12,359,345)</u>	40,331,601

Other long-term assets are not available for pay for current period expenditures and,  
therefore, are deferred in the funds. These assets consist of:

Deferred Loss on Refunding	523,291
Bond Issuance Costs	248,973
Bond Discount (Premium)	(146,823)

Long term liabilities are not due and payable in the current period and are  
not reported in the funds

Bonds Payable	(24,523,734)
Early Retirement Incentive Contracts Payable	(100,000)
Compensated Absences	(199,239)
Other Obligations	(1,963,648)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid	<u>(326,319)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 17,885,550</u></u>
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The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	GENERAL FUND	SINKING FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$10,233,466	\$ 716,410	\$ 3,601,755	\$ 14,551,631
State Sources	330,510	0	21,869	352,379
Federal Sources	314,092	0	150,432	464,524
Other Transactions	731,792	0	0	731,792
Total Revenues	11,609,860	716,410	3,774,056	16,100,326
<u>EXPENDITURES</u>				
Instruction	7,190,828	0	0	7,190,828
Supporting Services	4,324,519	0	0	4,324,519
Food Service Activities	0	0	378,573	378,573
Community Services	0	0	301,696	301,696
Construction Projects	0	922,337	0	922,337
Debt Service				
Principal	0	0	1,272,117	1,272,117
Interest and Fees	0	0	1,986,031	1,986,031
Bond Issuance Costs	0	0	69,124	69,124
Other Transactions	99,944	0	5,877	105,821
Total Expenditures	11,615,291	922,337	4,013,418	16,551,046
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,431)	(205,927)	(239,362)	(450,720)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of School Property	2,000	0	0	2,000
Issuance of Bonds	0	0	4,445,000	4,445,000
Payment to Escrow Agent	0	0	(4,515,309)	(4,515,309)
Premium on Bonds Issued	0	0	32,033	32,033
Transfers In (Out)	(108,857)	0	108,857	0
Total Other Financing Sources (Uses)	(106,857)	0	70,581	(36,276)
Net Change in Fund Balance	(112,288)	(205,927)	(168,781)	(486,996)
<u>FUND BALANCE -</u> Beginning of Year	3,534,333	260,741	733,370	4,528,444
<u>FUND BALANCE -</u> End of Year	\$ 3,422,045	\$ 54,814	\$ 564,589	\$ 4,041,448

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances Total Governmental Funds	\$ (486,996)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the statement of activities.

Depreciation Expense	(1,098,680)
Capital Outlay	1,004,999

Accrued and accreted interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	341,670
Accrued Interest Payable - End of Year	(326,319)
Accreted Interest Payable on Capital Appreciation Bonds - Beginning of Year	2,702,667
Accreted Interest Payable on Capital Appreciation Bonds - End of Year	(1,963,648)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of Bond Principal	1,272,117
Issuance of Debt	(4,445,000)
Defeasance of Debt	4,425,000
Bond Premium	(32,033)
Bond Issuance Cost on Refunding	69,124
Bond Deferred Loss on Refunding	20,000
Amortization of Deferred Charges	(60,861)

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Pay - Beginning of Year	289,933
Accumulated Sick Pay - End of Year	(199,239)
Early Retirement Incentive - Beginning of Year	200,000
Early Retirement Incentive - End of Year	(100,000)

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 1,612,734</u></u></b>
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The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 62,718	\$ 271,373
Investments	<u>0</u>	<u>13,000</u>
 TOTAL ASSETS	 <u>\$ 62,718</u>	 <u>\$ 284,373</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	<u>\$ 0</u>	<u>\$ 284,373</u>
 <u>NET ASSETS</u>		
Reserved for Trust Activities	60,718	0
Unreserved	<u>2,000</u>	<u>0</u>
 Total Net Assets	 <u>62,718</u>	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 62,718</u>	 <u>\$ 284,373</u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 302
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>0</u>
Change in Net Assets	302
<u>NET ASSETS</u> - Beginning of Year	<u>62,416</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 62,718</u></u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Harbor Springs Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

Harbor Springs Public Schools (the "District") is located in Emmet County with its administrative offices located in Harbor Springs, Michigan. The District is governed by the Harbor Springs Public School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses by related program revenues and operating 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, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

The effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage.



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**Other Non-Major Funds**

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and community services activities in the special revenue funds.

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital projects fund accounts for the receipt of debt proceeds and the acquisition of capital assets or construction of major capital projects.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The private purpose trust funds are accounted for using the accrual method of accounting.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**D. Other Accounting Policies**

1. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of twelve months or less from the date of acquisition.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1. The District has elected to have 50% of the taxes billed and due July 1<sup>st</sup> and the remaining 50% billed and due December 1. The summer levy becomes delinquent as of August 14 for City taxpayers and September 14 for Township taxpayers, and the winter levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund - Non-Homestead	13.9911
Capital Projects Sinking Fund - Homestead and Non-Homestead	0.6600
Debt Service Funds - Homestead and Non-Homestead	2.9600

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventory in the General Fund consists of supplies held for consumption. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. For the year ended June 30, 2011, there were no prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land improvements	20 - 40 years
Buildings and additions	10 - 50 years
Furniture and equipment	5 - 15 years
Transportation equipment	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay. The amount allowable to be compensated for depends on the position and the longevity of the individual employee.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

Beginning with fiscal year 2011, the School District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

*Nonspendable* – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

*Restricted* – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

*Committed* – Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

*Assigned* – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority. The School Board delegated the authority to the Chief Financial Officer.

*Unassigned* – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

As stated in Note I. A. above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund and special revenue funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year, the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 28, 2010, or as amended by the School Board of Education on June 27, 2011.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

General Fund Supporting Services - Pupil expenditures of \$408,161 exceeded appropriations of \$407,338 by \$823.

General Fund Supporting Services – Operating and Maintenance expenditures of \$1,426,115 exceeded appropriations of \$1,422,865 by \$3,250.

General Fund Supporting Services – Pupil Transportation expenditures of \$289,451 exceeded appropriations of \$267,820 by \$21,631.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

General Fund Other Transactions expenditures of \$99,944 exceeded appropriations of \$96,946 by \$2,998.

Food Service expenditures of \$378,573 exceeded appropriations of \$376,739 by \$1,834.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments – Credit Risk**

The District's deposits and investments are on deposit with First Community Bank and Bank of Northern Michigan.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, \$4,765,449 of the government's bank balance of \$5,658,202 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*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. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits and investments.

*Foreign Currency Risk* – The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Deposits in Certificates of Deposit are classified as Investments on the financial statements. At year-end, the District had the following investments:

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Balance sheet classifications:

	Petty Cash	Deposits	Fiduciary Assets	Total
Cash	\$ 618	\$ 4,030,447	\$ 334,091	\$ 4,365,156
Investments	0	1,223,409	13,000	1,236,409
	<u>\$ 618</u>	<u>\$ 5,253,856</u>	<u>\$ 347,091</u>	<u>\$ 5,601,565</u>

**B. Receivables**

Receivables as of yearend for the government's individual major funds and nonmajor, and fiduciary funds are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 7,972	\$ 1,691	\$ 9,663
Due from Other Governments	58,776	0	58,776
Accrued Interest	3,005	0	3,005
Total Receivables	<u>\$ 69,753</u>	<u>\$ 1,691</u>	<u>\$ 71,444</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

	<u>Unavailable</u>	<u>Unearned</u>
Grant Receipts Received, But Not Yet Utilized	\$ 0	\$ 227,704
Total Deferred/Unearned Revenue for Governmental Funds	\$ 0	\$ 227,704

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Assets Not Being Depreciated:				
Land	\$ 2,660,623	\$ 0	\$ 0	\$ 2,660,623
Construction in Progress	19,073	0	19,073	0
Total Assets Not Being Depreciated	2,679,696	0	19,073	2,660,623
Other Capital Assets				
Land Improvements	2,065,809	6,800	0	2,072,609
Buildings and Additions	43,980,069	928,075	0	44,908,144
Furniture and Equipment	2,483,134	77,697	180,287	2,380,544
Transportation Equipment	657,526	11,500	0	669,026
Subtotal	49,186,538	1,024,072	180,287	50,030,323
Accumulated Depreciation				
Land Improvements	639,484	61,171	0	700,655
Buildings and Additions	8,580,851	865,773	0	9,446,624
Furniture and Equipment	1,688,840	139,939	180,287	1,648,492
Transportation Equipment	531,777	31,797	0	563,574
Total Accumulated Depreciation	11,440,952	1,098,680	180,287	12,359,345
Net Other Capital Assets	37,745,586	(74,608)	0	37,670,978
Net Capital Assets	\$ 40,425,282	\$ (74,608)	\$ 19,073	\$ 40,331,601

Depreciation for the fiscal year ended June 30, 2011 amounted to \$1,098,680. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2011:

	Balance July 1, 2010	Increases	(Decreases)	Balance June 30, 2011	Due Within Year
Bonds Payable	\$ 25,775,851	\$ 4,445,000	\$ (5,697,117)	\$ 24,523,734	\$ 1,318,235
Early Retirement					
Incentives	200,000	0	(100,000)	100,000	100,000
Compensated					
Absences	289,933	0	(90,694)	199,239	0
Other Obligations	2,702,667	0	(739,019)	1,963,648	904,925
Total	<u>\$ 28,968,451</u>	<u>\$ 4,445,000</u>	<u>\$ (6,626,830)</u>	<u>\$ 26,786,621</u>	<u>\$ 2,323,160</u>

Bonds payable at June 30, 2011 are comprised of the following issues:

General Obligation Serial Bonds

2010 Refunding Bonds Due in Annual Installments of \$900,000 to \$1,295,000 through May 1, 2015, Interest at 1.00% to 2.00%	\$ 4,445,000
1991 School Building and Site Capital Appreciation Bonds Due in Annual Installments of \$311,157 to \$314,090 through May 1, 2013, Interest at 7.30%	625,247
2006 Refunding Bonds Due in Annual Installments of \$20,000 to \$2,145,000 through May 1, 2026, Interest at 4.00%	10,000,000
2007 Refunding Bonds Due in Annual Installments of \$175,000 to \$1,715,000 through May 1, 2022, Interest at 4.00% to 5.00%	9,445,000

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Self-Liquidating Bonds

1998 Series, School Improvement Bond Due in Annual Installments of  
\$4,145 to \$4,342 through May 15, 2013, Interest at 4.761% 8,487

Other

Accrued Compensated Absences	199,239
Early Retirement Incentive	100,000
Other Obligations	<u>1,963,648</u>
Total general obligation debt	<u><u>\$ 26,786,621</u></u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The compensated absences are generally liquidated by the General Fund.

Other obligations consist of accreted interest on the capital appreciation bonds of \$1,963,648 at June 30, 2011.

The annual requirements to service the bonds and early retirement incentives outstanding (not including accrued compensated absences and other obligations payable) to maturity, including both principal and interest, are as follows:

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>		<u>Early</u>	<u>Amounts</u>
	<u>Principal</u>	<u>Interest</u>	<u>Retirement</u>	<u>Payable</u>
2012	\$ 1,318,235	\$ 896,520	\$ 100,000	\$ 2,314,755
2013	1,215,499	851,711	0	2,067,210
2014	1,310,000	804,417	0	2,114,417
2015	1,335,000	754,164	0	2,089,164
2016	1,405,000	702,848	0	2,107,848
2017-2021	8,035,000	2,539,261	0	10,574,261
2022-2026	9,905,000	629,768	0	10,534,768
	<u>\$ 24,523,734</u>	<u>\$ 7,178,689</u>	<u>\$ 100,000</u>	<u>\$ 31,802,423</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2011, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 133,373	\$ 26,854
School Service Fund - Food Service	5,974	11,446
School Service Fund - Community Services	0	101,047
	<u>\$ 139,347</u>	<u>\$ 139,347</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2011, are expected to be repaid within one year.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2011, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 108,857
School Service Fund - Community Services	108,857	0
	<u>\$ 108,857</u>	<u>\$ 108,857</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**F. Fund Balance Classifications**

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 39,533	\$ 0	\$ 5,869	\$ 45,402
Restricted:				
Debt Service	0	0	323,837	323,837
Capital Projects	0	54,814	0	54,814
Food Service	0	0	2,745	2,745
Assigned:				
Community Services	0	0	232,138	232,138
Technology Improvements	120,476	0	0	120,476
Tax Tribunal Adjustments	276,510	0	0	276,510
Early Retirement Incentives	100,000	0	0	100,000
Curriculum	113,243	0	0	113,243
Subsequent Year Budget	1,187,319	0	0	1,187,319
Unassigned	1,584,964	0	0	1,584,964
Total Fund Balances	\$ 3,422,045	\$ 54,814	\$ 564,589	\$ 4,041,448

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2011, were 16.94% of payroll through September 30, 2010, 19.41% through October 31, 2010, and 20.66% effective November 1, 2010. For employees who first worked on or after July 1, 2010, the rate for the year ended June 30, 2011 was 15.44% for the first quarter, 17.91% for October, and 19.16% for the remainder of the year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2011, 2010, and 2009 were approximately \$1,274,957, \$1,125,992, and \$1,079,245 respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits and post-employment benefits, which is the responsibility of the State of Michigan.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2011 or any of the prior three years.

**C. Single Audit Report**

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "Single Audit" of federally funded programs. At June 30, 2011, the School District's expenditures for federally funded programs were less than \$500,000 and therefore, the District is not required to have a "Single Audit" for the fiscal year ended June 30, 2011.

**D. Sinking Fund Tax Levy**

In May 2007 the taxpayers approved a sinking fund tax levy. The School is authorized to levy 0.66 mills for five years beginning with the 2007 tax roll. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

**E. 2006 Refunding Bonds**

On December 20, 2006, the District defeased \$9,690,000 of the 2001 School Building and Site Bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased debt is not included in these financial statements.

**F. 2007 Refunding Bonds**

On March 20, 2007, the District defeased \$9,435,000 of the 2001 School Building and Site Bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased debt is not included in these financial statements.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**G. 2010 Refunding Bonds**

On November 23, 2010, the District issued \$4,445,000 in General Obligation Bonds with interest rates of 1.00% to 2.00% to advance refund \$4,425,000 of outstanding 2001 School Building and Site Bonds with interest rates of 4.00% to 4.375%. As a result \$4,445,000 of the 2001 School Building and Site Bonds are considered to be defeased and the liability for those bonds will be removed from the non current liabilities of the District.

The difference between the reacquisition price and the net carrying amount of the old debt was \$20,000. This amount is reported on the accompanying financial statements and amortized over the life of the new bonds (4 years). This refunding was undertaken to reduce the total future debt service payments by \$245,265 and resulted in an economic gain of \$235,930.

**H. Commitments and Contingencies**

Various taxpayers within the district from time to time appeal their taxable value assessments with the Michigan Tax Tribunal. Currently the district is aware of a taxpayer requesting a large reduction to their taxable value assessment. Because the district is an "out of formula" district, any reduction in taxable value will have a direct impact on the district's sources of revenues. Additionally, if the taxable value is lowered for a prior year the district will have to refund previously collected taxes.

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

**I. New GASB Standard**

Effective July 1, 2010, the District adopted GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions. Accordingly, the components of fund balance in the prior year have been restated using the new definitions in order to be consistent with the current year's presentation.



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 10,016,381	\$ 10,232,846	\$ 10,233,466
State Sources	881,476	330,317	330,510
Federal Sources	201,300	312,188	314,092
Other Transactions	183,525	729,575	731,792
Total Revenues	11,282,682	11,604,926	11,609,860
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	6,493,429	6,266,719	6,266,165
Added Needs	1,190,566	933,330	924,663
Supporting Services			
Pupil	407,606	407,338	408,161
Instructional Staff	323,039	313,331	313,001
General Administration	417,060	402,886	398,849
School Administration	699,058	694,912	694,633
Business	266,737	285,684	285,656
Operating and Maintenance	1,400,701	1,422,865	1,426,115
Pupil Transportation	273,919	267,820	289,451
Central Services	216,567	209,623	208,023
Other-Athletic Activities	345,693	325,734	300,630
Other Transactions	70,000	96,946	99,944
Total Expenditures	12,104,375	11,627,188	11,615,291
Excess (Deficiency) of Revenues Over (Under) Expenditures	(821,693)	(22,262)	(5,431)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of School Property	0	2,000	2,000
Transfers In (Out)	(140,167)	(112,668)	(108,857)
Total Other Financing Sources (Uses)	(140,167)	(110,668)	(106,857)
Net Change in Fund Balance	(961,860)	(132,930)	(112,288)
<u>FUND BALANCE</u> - Beginning of Year	3,473,045	3,534,150	3,534,333
<u>FUND BALANCE</u> - End of Year	\$ 2,511,185	\$ 3,401,220	\$ 3,422,045

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2011

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>1991 BOND ISSUE</u>	<u>1998 DURANT BOND ISSUE</u>
<u>ASSETS</u>				
Cash	\$ 1,501	\$ 340,996	\$ 127,735	\$ 0
Accounts Receivable	501	1,190	0	0
Due from Other Funds	5,974	0	0	0
Inventories	5,869	0	0	0
Deposits	22,000	0	0	0
TOTAL ASSETS	<u>\$ 35,845</u>	<u>\$ 342,186</u>	<u>\$ 127,735</u>	<u>\$ 0</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 15,474	\$ 9,001	\$ 0	\$ 0
Due to Other Funds	11,446	101,047	0	0
Accrued Expenses	311	0	0	0
Total Liabilities	<u>27,231</u>	<u>110,048</u>	<u>0</u>	<u>0</u>
<u>FUND BALANCE</u>				
Nonspendable				
Inventory	5,869	0	0	0
Restricted for:				
Food Service	2,745	0	0	0
Community Services	0	232,138	0	0
Debt Service	0	0	127,735	0
Total Fund Balance	<u>8,614</u>	<u>232,138</u>	<u>127,735</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 35,845</u>	<u>\$ 342,186</u>	<u>\$ 127,735</u>	<u>\$ 0</u>

DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
2001 BOND ISSUE	2006 REFUNDING	2007 REFUNDING	2010 REFUNDING	2001 BOND CONSTRUCTION	
\$ 106,241	\$ 50,630	\$ 37,031	\$ 2,200	\$ 0	\$ 666,334
0	0	0	0	0	1,691
0	0	0	0	0	5,974
0	0	0	0	0	5,869
0	0	0	0	0	22,000
<u>\$ 106,241</u>	<u>\$ 50,630</u>	<u>\$ 37,031</u>	<u>\$ 2,200</u>	<u>\$ 0</u>	<u>\$ 701,868</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,475
0	0	0	0	0	112,493
0	0	0	0	0	311
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,279</u>
0	0	0	0	0	5,869
0	0	0	0	0	2,745
0	0	0	0	0	232,138
<u>106,241</u>	<u>50,630</u>	<u>37,031</u>	<u>2,200</u>	<u>0</u>	<u>323,837</u>
<u>106,241</u>	<u>50,630</u>	<u>37,031</u>	<u>2,200</u>	<u>0</u>	<u>564,589</u>
<u>\$ 106,241</u>	<u>\$ 50,630</u>	<u>\$ 37,031</u>	<u>\$ 2,200</u>	<u>\$ 0</u>	<u>\$ 701,868</u>

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2011

	<u>SPECIAL REVENUE FUNDS</u>		<u>1991</u>	<u>1998 DURANT</u>
	<u>FOOD</u>	<u>COMMUNITY</u>		
	<u>SERVICE</u>	<u>SERVICES</u>	<u>BOND ISSUE</u>	<u>BOND ISSUE</u>
	<u>FUND</u>	<u>FUND</u>		
<u>REVENUES</u>				
Local Sources	\$ 174,242	\$ 197,214	\$ 1,250,039	\$ 0
State Sources	17,319	0	0	4,550
Federal Sources	150,432	0	0	0
Total Revenues	341,993	197,214	1,250,039	4,550
<u>EXPENDITURES</u>				
Food Service Activities	378,573	0	0	0
Community Activities	0	301,696	0	0
Debt Service				
Principal	0	0	318,160	3,957
Interest and Fees	0	0	1,001,840	593
Bond Issuance Costs	0	0	0	0
Other Transactions	0	0	2,054	0
Total Expenditures	378,573	301,696	1,322,054	4,550
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,580)	(104,482)	(72,015)	0
<u>OTHER FINANCING SOURCES (USES)</u>				
Issuance of Bonds	0	0	0	0
Payment to Escrow Agent	0	0	0	0
Premium on Bonds Issued	0	0	0	0
Transfers In (Out)	0	108,857	0	0
Total Other Financing Sources (Uses)	0	108,857	0	0
Net Change in Fund Balance	(36,580)	4,375	(72,015)	0
<u>FUND BALANCE</u> - Beginning of Year	45,194	227,763	199,750	0
<u>FUND BALANCE</u> - End of Year	\$ 8,614	\$ 232,138	\$ 127,735	\$ 0

DEBT SERVICE FUNDS				CAPITAL PROJECT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
2001 BOND ISSUE	2006 REFUNDING	2007 REFUNDING	2010 REFUNDING	2001 BOND CONSTRUCTION	
\$ 1,132,406	\$ 401,232	\$ 401,166	\$ 31,273	\$ 14,183	\$ 3,601,755
0	0	0	0	0	21,869
0	0	0	0	0	150,432
1,132,406	401,232	401,166	31,273	14,183	3,774,056
0	0	0	0	0	378,573
0	0	0	0	0	301,696
950,000	0	0	0	0	1,272,117
148,875	400,000	405,800	28,923	0	1,986,031
0	0	0	69,124	0	69,124
2,115	735	823	150	0	5,877
1,100,990	400,735	406,623	98,197	0	4,013,418
31,416	497	(5,457)	(66,924)	14,183	(239,362)
0	0	0	4,445,000	0	4,445,000
0	0	0	(4,515,309)	0	(4,515,309)
0	0	0	32,033	0	32,033
(91,833)	0	0	107,400	(15,567)	108,857
(91,833)	0	0	69,124	(15,567)	70,581
(60,417)	497	(5,457)	2,200	(1,384)	(168,781)
166,658	50,133	42,488	0	1,384	733,370
\$ 106,241	\$ 50,630	\$ 37,031	\$ 2,200	\$ 0	\$ 564,589

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

FIDUCIARY FUND TYPES  
COMBINING BALANCE SHEET

JUNE 30, 2011

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 62,718	\$ 271,373	\$ 334,091
Investments	0	13,000	13,000
 TOTAL ASSETS	 \$ 62,718	 \$ 284,373	 \$ 347,091
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Groups and Organizations	\$ 0	\$ 284,373	\$ 284,373
<u>FUND BALANCE</u>			
Reserved for:			
Scholarships and Memorials	55,974	0	55,974
Endowments	4,744	0	4,744
Unrestricted	2,000	0	2,000
 Total Fund Balance	 62,718	 0	 62,718
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 62,718	 \$ 284,373	 \$ 347,091



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2011

	SHAY SCHOLARSHIP FUND	MIDSHIPMEN DRUM AND BUGLE FUND	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 56,536	\$ 6,182	\$ 62,718
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved for:			
Scholarships and Memorials	53,229	2,745	55,974
Endowments	1,307	3,437	4,744
Unrestricted	2,000	0	2,000
Total Fund Balance	56,536	6,182	62,718
TOTAL LIABILITIES AND FUND BALANCE	\$ 56,536	\$ 6,182	\$ 62,718

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2011

	<u>SHAY SCHOLARSHIP FUND</u>	<u>MIDSHIPMEN DRUM AND BUGLE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Investment Income:			
Interest and Dividends	\$ 278	\$ 24	\$ 302
<u>EXPENDITURES</u>			
Scholarship Awards	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	278	24	302
<u>FUND BALANCE</u> - Beginning of Year	<u>56,258</u>	<u>6,158</u>	<u>62,416</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 56,536</u>	<u>\$ 6,182</u>	<u>\$ 62,718</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> 7/01/10	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/11
Hall of Fame	\$ 0	\$ 13,797	\$ 13,797	\$ 0
Alumni	1,561	12	0	1,573
Athletic Boosters	24,222	38,922	37,761	25,383
Athletic Boosters Scholarship Acct	7,885	13,278	20,054	1,109
Safe Route To Schools Grant	821	0	0	821
Band Activities	1,080	18,248	19,328	0
Band Boosters (IMP)	8,375	11,764	15,033	5,106
Benny Davis - NCF - Clothing	246	80	326	0
Benny Davis - NCF- Books	386	18	114	290
Benny Davis - Undesignated	13,000	0	0	13,000
Elementary Library	1,495	88	0	1,583
Blackbird Pop Fund	1,119	294	637	776
BB/Shay Visual Arts	704	4,323	4,168	859
Blackbird Fundraiser	6,125	10,369	10,614	5,880
Birthday Book Club	172	20	0	192
Preschool Fundraiser	2,167	16	0	2,183
Blackbird Music Program	764	936	1,700	0
Choir	5	0	5	0
Class of 1989	1,202	0	1,202	0
Class of 1992	512	0	512	0
Class of 1994	197	0	197	0
Class of 1998	2,125	0	2,125	0
HS Textbooks - Fees and Fines	3,476	4,799	84	8,191
Class of 2000	466	0	466	0
Class of 2001	35	0	35	0
Class of 2002	1,938	0	1,938	0
Class of 2003	1,072	0	1,072	0
Class of 2004	1,341	0	1,341	0
Class of 2005	1,273	0	1,273	0
Class of 2006	2,558	0	2,558	0
Class of 2008	813	0	813	0
Class of 2009	0	0	0	0
Class of 2010	862	7	0	869
Class of 2011	3,140	301	2,180	1,261
Class of 2012	0	4,973	2,073	2,900
Class of 2013	0	286	0	286
Class of 2014	0	364	83	281

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	7/01/10	(Including Transfers)		6/30/11
Book Deposits Class of 2006	25	0	25	0
Book Deposits Class of 2007	1,050	0	1,050	0
Book Deposits Class of 2008	973	0	973	0
Book Deposits Class of 2009	854	0	854	0
Book Deposits Class of 2010	360	39	360	39
Book Deposits Class of 2011	1,382	5	775	612
Book Deposits Class of 2012	981	8	0	989
Community Tennis - Hsps	234	0	0	234
Drama Club	3,556	20,553	25,166	(1,057)
Echoes	2,018	1,276	2,555	739
FFA	640	0	640	0
HS - CASA	68,913	2,276	35,052	36,137
HS - Baseball	1,349	1,903	2,472	780
HS- Softball	1,459	2,874	3,464	869
HS - Basketball Program	1,188	11,843	11,705	1,326
HS - Cheerleading	2	0	0	2
HS - Golf	3,495	1,202	1,199	3,498
HS - Girls Golf	9,143	276	4,085	5,334
HS - Community Adult Band	6,709	1,174	2,567	5,316
HS - Boys Tennis	240	2,232	2,052	420
HS - Girls Tennis	978	2,350	3,062	266
HS - Track	4,528	24,905	25,814	3,619
HS - Football	3,490	2,643	5,879	254
HS - Varsity Girls Soccer	790	3,476	4,266	0
HS - Varsity Boys Soccer	2,883	992	820	3,055
HS - Snowboard Club	1,477	11	0	1,488
HS - Student and Staff Support	(852)	4,340	2,982	506
National Honor Society	420	630	81	969
Fine Arts Trips HS	3,369	5,067	7,576	860
Schiller / Art	382	2,163	2,262	283
HS - Women's Basketball	9,152	4,599	5,851	7,900
HS - Volleyball	6,496	5,498	3,866	8,128
HS - Wrestling Club	1,509	1,462	783	2,188
HS - Rec Soccer	2,412	19	0	2,431
HS - Dance Club	122	0	0	122
Interest	0	2,633	2,533	100
Key Club	2,208	17	0	2,225
MI Youth In Government	1,530	18,497	18,951	1,076

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> 7/01/10	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/11
HS - Physics	152	0	0	152
MS - PAC Fundraising	1,048	3,308	2,330	2,026
MS - Boosters	664	4,853	4,779	738
MS - Job Skills	433	0	0	433
MS - Bill Miilu Memorial	0	1,500	1,500	0
MS - Book Deposits	7,130	55	0	7,185
MS - Activities	493	1,284	521	1,256
MS - Fees and Fines	418	68	57	429
MS - Magazine	17,220	61,886	63,752	15,354
MS - 7th Grade Team	1,371	0	1,371	0
MS - 7th Grade Integrated Studies	1,135	8,068	5,105	4,098
MS - 6th Grade Team	3,192	2,391	3,451	2,132
MS - Science Olympiad	629	5	0	634
MS - Tackle Football	281	0	0	281
MS - Volleyball	1,157	427	200	1,384
Parents Advisory-Pac/Cac	4,143	11,879	13,256	2,766
Rampage (yearbook)	3,075	0	2,600	475
HS Musical Donation Acct - BJ Mogg	0	8,540	0	8,540
Shay - Multi-Age	21	0	0	21
Shay - Carnival	10,994	7,543	4,637	13,900
Shay - Fundraiser Acct.	9,119	22,723	22,663	9,179
Shay - Student Council	994	8	0	1,002
Shay - Pop Machine	7,736	295	1,156	6,875
Shay - Enrichment	2,853	2,232	2,481	2,604
Mary Kay Farley Scholarship	1,620	9,012	9,000	1,632
Michael J. Phillips Memorial Scholarship	3,741	240	3,981	0
Ski Team Boosters	18,910	64,360	64,516	18,754
Spanish Club	373	3,124	400	3,097
HS - Special Education	70	441	32	479
Special Art Fund	919	95	88	926
Strive	2,398	4	1,750	652
HS - Student Council	213	1,639	1,155	697
HS - Student Council Gift	0	13,625	1,361	12,264
MS - Student Council	1,198	167	208	1,157
	<u>\$ 340,302</u>	<u>\$ 477,630</u>	<u>\$ 533,559</u>	<u>\$ 284,373</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> 7/01/10	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/11
Represented by				
Assets				
Cash and Cash Equivalents	\$ 319,417			\$ 271,373
Investments	<u>20,885</u>			<u>13,000</u>
Total Assets	<u>\$ 340,302</u>			<u>\$ 284,373</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 340,302</u>			<u>\$ 284,373</u>

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA  
YEARS 2002 TO 2011

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2011	2010	2009	2008
Total Taxable Value	\$ 1,080,156,555	\$ 1,138,942,327	\$ 1,113,835,247	\$ 1,073,676,024
Non-Homestead Taxable Value	\$ 720,819,337	\$ 764,103,492	\$ 751,717,500	\$ 733,142,721
Blended Student Count	\$ 984	\$ 1,024	\$ 1,061	\$ 1,114
Taxable Value Per Student	\$ 1,097,720	\$ 1,112,248	\$ 1,049,798	\$ 963,803
Per Pupil Foundation Allowance	\$ 8,677	\$ 8,677	\$ 8,677	\$ 8,433
Mills Levied				
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911
Debt	2.9600	2.9200	2.9500	3.0300
Sinking Fund	0.6600	0.6600	0.6600	0.6600
Property Tax Revenues				
Operations	\$ 9,884,590	\$ 10,624,443	\$ 10,349,061	\$ 10,257,405
Debt	\$ 3,196,568	\$ 3,332,759	\$ 3,290,790	\$ 3,253,059
Sinking Fund	\$ 712,657	\$ 752,835	\$ 732,749	\$ 708,587
State Aid - Foundation Grant (Excluding Categoricals)	\$ 202,030	\$ 186,025	\$ 179,214	\$ 250,799
Other General Fund Data				
Total Fund Balance	\$ 3,422,045	\$ 3,534,150	\$ 3,358,794	\$ 3,333,867
Total Local Revenues	\$ 10,233,466	\$ 10,863,120	\$ 10,666,557	\$ 10,725,418
Total State Revenues	\$ 330,510	\$ 243,513	\$ 395,405	\$ 298,894
Total Expenditures*	\$ 11,615,291	\$ 11,120,689	\$ 11,199,483	\$ 10,991,354
*note-2011 was first year Athletics were reported in General Fund				
Long Term Debt Data				
Bonds Payable	\$ 24,523,734	\$ 25,775,851	\$ 27,054,959	\$ 28,356,684
Contracts Payable and Retirement Incentives	\$ 100,000	\$ 200,000	\$ 0	\$ 118,400
Compensated Absences	\$ 199,239	\$ 289,933	\$ 320,534	\$ 300,427



2007	2006	2005	2004	2003	2002
\$ 1,011,555,049	\$ 949,259,789	\$ 890,397,191	\$ 826,235,488	\$ 779,792,946	\$ 719,662,746
\$ 687,191,501	\$ 640,475,460	\$ 599,531,913	\$ 554,324,752	\$ 524,006,930	\$ 490,157,226
1,112	1,127	1,149	1,149	1,119	1,075
\$ 909,672	\$ 842,289	\$ 774,932	\$ 718,784	\$ 693,405	\$ 669,454
\$ 8,385	\$ 8,175	\$ 8,000	\$ 8,000	\$ 8,000	\$ 7,511
13.9911	13.9911	13.9911	13.9911	13.9911	13.9911
3.0700	3.2800	3.7400	3.7400	3.7400	2.7000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
\$ 9,631,951	\$ 9,029,367	\$ 8,296,443	\$ 7,761,970	\$ 7,331,433	\$ 6,857,839
\$ 3,110,504	\$ 3,138,676	\$ 3,336,437	\$ 3,119,046	\$ 2,908,379	\$ 1,938,234
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 229,978	\$ 415,045	\$ 708,952	\$ 1,196,638	\$ 1,431,180	\$ 1,543,364
\$ 3,090,942	\$ 2,809,663	\$ 2,888,961	\$ 2,827,035	\$ 2,812,224	\$ 3,203,718
\$ 10,117,918	\$ 9,364,725	\$ 8,559,035	\$ 8,031,091	\$ 7,500,837	\$ 7,020,175
\$ 396,494	\$ 510,462	\$ 828,156	\$ 1,419,313	\$ 1,690,099	\$ 1,735,587
\$ 10,451,898	\$ 10,106,063	\$ 9,340,597	\$ 9,795,947	\$ 9,461,229	\$ 8,721,337
\$ 29,643,869	\$ 30,778,172	\$ 32,275,729	\$ 33,626,122	\$ 35,101,122	\$ 36,306,122
\$ 285,400	\$ 452,400	\$ 619,400	\$ 786,400	\$ 271,624	\$ 393,522
\$ 308,259	\$ 314,684	\$ 308,538	\$ 264,834	\$ 411,254	\$ 251,300

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	1991 School Building and Site Bonds		
<u>PURPOSE</u>	Erecting, furnishing and equipping a playground and acquiring, developing, and improving a site therefore; and partially remodeling the existing elementary school and the middle-high school facility.		
<u>DATE OF ISSUE</u>	June 1, 1991		
<u>INTEREST PAYABLE</u>	May 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$ 4,449,733		
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$ 3,506,326		
Redeemed During Current Year	<u>318,160</u>	<u>3,824,486</u>	
<u>BALANCE OUTSTANDING - June 30, 2011</u>		<u>\$ 625,247</u>	

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2012	7.30%	\$ 1,400,000	\$ 1,085,910	\$ 314,090
May 1, 2013	7.30%	1,490,000	1,178,843	311,157
		<u>\$ 2,890,000</u>	<u>\$ 2,264,753</u>	<u>\$ 625,247</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond (Durant Settlement)		
<u>PURPOSE</u>	Improvements to site, school buses, equipment, building improvement, remodeling of existing facilities and other section 1351a of Act 451 purposes. The District used the proceeds for building improvements, which met the prescribed uses.		
<u>DATE OF ISSUE</u>	November 15, 1998		
<u>INTEREST PAYABLE</u>	May 15 of each year		
<u>AVERAGE INTEREST RATE</u>	4.761%		
<u>AMOUNT OF ISSUE</u>		\$	64,785
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	52,341	
Redeemed During Current Year		<u>3,957</u>	<u>56,298</u>
<u>BALANCE OUTSTANDING - June 30, 2011</u>		\$	<u>8,487</u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2012	\$ 4,549	\$ 404	\$ 4,145
May 15, 2013	4,549	207	4,342
	<u>\$ 9,098</u>	<u>\$ 611</u>	<u>\$ 8,487</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2001 School Building and Site Bond		
<u>PURPOSE</u>	Erecting and equipping a new middle school connected to Shay Elementary School; additions to the high school including a new auditorium. Constructing a new track and public restrooms. Purchasing property for new middle school and for additional parking. Acquiring and installing instructional technology in school facilities. Developing and improving sites, playgrounds, and athletic facilities.		
<u>DATE OF ISSUE</u>	October 8, 2001		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 31,500,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	7,000,000	
Redeemed During Current Year		950,000	
Bonds Defeased		<u>23,550,000</u>	<u>31,500,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2011			<u>\$ 0</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds
<u>PURPOSE</u>	To refund a portion of the 2001 bonds to take advantage of lower interest rates.
<u>DATE OF ISSUE</u>	December 20, 2006
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 10,000,000
<u>AMOUNT REDEEMED</u>	
Redeemed Prior to Current Year	\$ 0
Redeemed During Current Year	0
<u>BALANCE OUTSTANDING - June 30, 2011</u>	<u>\$ 10,000,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011		\$ 200,000	\$ 200,000	
May 1, 2012		200,000	200,000	
November 1, 2012		200,000	200,000	
May 1, 2013		200,000	200,000	
November 1, 2013		200,000	200,000	
May 1, 2014	4.000%	260,000	200,000	\$ 60,000
November 1, 2014		198,800	198,800	
May 1, 2015	4.000%	238,800	198,800	40,000
November 1, 2015		198,000	198,000	
May 1, 2016	4.000%	243,000	198,000	45,000
November 1, 2016		197,100	197,100	
May 1, 2017	4.000%	232,100	197,100	35,000
November 1, 2017		196,400	196,400	

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2018	4.000%	221,400	196,400	25,000
November 1, 2018		195,900	195,900	
May 1, 2019	4.000%	215,900	195,900	20,000
November 1, 2019		195,500	195,500	
May 1, 2020	4.000%	215,500	195,500	20,000
November 1, 2020		195,100	195,100	
May 1, 2021	4.000%	220,100	195,100	25,000
November 1, 2021		194,600	194,600	
May 1, 2022	4.000%	1,819,600	194,600	1,625,000
November 1, 2022		162,100	162,100	
May 1, 2023	4.000%	2,072,100	162,100	1,910,000
November 1, 2023		123,900	123,900	
May 1, 2024	4.000%	2,108,900	123,900	1,985,000
November 1, 2024		84,200	84,200	
May 1, 2025	4.000%	2,149,200	84,200	2,065,000
November 1, 2025		42,900	42,900	
May 1, 2026	4.000%	2,187,900	42,900	2,145,000
		<u>\$ 15,169,000</u>	<u>\$ 5,169,000</u>	<u>\$ 10,000,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2007 Refunding Bonds
<u>PURPOSE</u>	To refund a portion of the 2001 bonds to take advantage of advantage of lower interest rates.
<u>DATE OF ISSUE</u>	March 20, 2007
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 9,445,000
<u>AMOUNT REDEEMED</u>	
Redeemed Prior to Current Year	\$ 0
Redeemed During Current Year	<u>0</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2011	<u>\$ 9,445,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011		\$ 202,900	\$ 202,900	
May 1, 2012		202,900	202,900	
November 1, 2012		202,900	202,900	
May 1, 2013		202,900	202,900	
November 1, 2013		202,900	202,900	
May 1, 2014		202,900	202,900	
November 1, 2014		202,900	202,900	
May 1, 2015		202,900	202,900	
November 1, 2015		202,900	202,900	
May 1, 2016	5.00%	1,562,900	202,900	\$ 1,360,000
November 1, 2016		168,900	168,900	
May 1, 2017	5.00%	1,608,900	168,900	1,440,000
November 1, 2017		132,900	132,900	
May 1, 2018	4.00%	1,652,900	132,900	1,520,000
November 1, 2018		102,500	102,500	

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>DUE DATES</u>	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2019	4.00%	1,687,500	102,500	1,585,000
November 1, 2019		70,800	70,800	
May 1, 2020	4.00%	1,720,800	70,800	1,650,000
November 1, 2020		37,800	37,800	
May 1, 2021	4.00%	1,752,800	37,800	1,715,000
November 1, 2021		3,500	3,500	
May 1, 2022	4.00%	178,500	3,500	175,000
		\$ 12,506,800	\$ 3,061,800	\$ 9,445,000



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2010 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of the 2001 bonds to take advantage of lower interest rates.		
<u>DATE OF ISSUE</u>	November 23, 2010		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>	\$ 4,445,000		
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	
Redeemed During Current Year		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING - June 30, 2011</u>			<u><u>\$ 4,445,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011		\$ 32,950	\$ 32,950	
May 1, 2012	1.00%	1,032,950	32,950	\$ 1,000,000
November 1, 2012		27,950	27,950	
May 1, 2013	1.25%	927,950	27,950	900,000
November 1, 2013		22,325	22,325	
May 1, 2014	1.50%	1,272,325	22,325	1,250,000
November 1, 2014		12,950	12,950	
May 1, 2015	2.00%	1,307,950	12,950	1,295,000
		<u><u>\$ 4,637,350</u></u>	<u><u>\$ 192,350</u></u>	<u><u>\$ 4,445,000</u></u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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July 13, 2011

### 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*

To the Board of Education  
Harbor Springs Public Schools  
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harbor Springs Public Schools, Harbor Springs, Michigan, as of and for the year ended June 30, 2011, and have issued our report thereon dated July 13, 2011. 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.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Harbor Springs Public Schools, Harbor Springs, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harbor Springs Public Schools, Harbor Springs, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harbor Springs Public Schools, Harbor Springs, Michigan's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Harbor Springs Public Schools, in a separate letter dated July 13, 2011.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*





